

## **Attachment D**

### **Program-Specific Audit Requirements**

The Program-Specific Audit must encompass an audit of The Children's Trust Contracts in accordance with **Section O: Records, Reports, Audits and Monitoring** of this Contract. The comprehensive nature of auditing performed in accordance with the standards set forth below places on the independent certified public accounting firm the responsibility for ensuring that (1) the audit is conducted by personnel who have the necessary skills; (2) independence is maintained; (3) applicable standards are followed in planning and conducting audits and reporting the results; (4) the organization has an appropriate internal quality control system in place; and (5) the organization undergoes an external quality control review.

#### **Program-Specific Audits must be conducted in compliance with AU-C 935 and are required to include performing tests of controls over compliance.**

An auditor's risk assessment must include an expectation of the operating effectiveness of controls over compliance, and in doing so, the assessed control risk must be assessed at low during the planning stage. If the auditor determines a lack of controls and identifies risk of material noncompliance that demonstrates internal controls do not exist or are not effective regarding the compliance requirement, a response to such risks should be developed, and a finding (significant deficiency or material weakness) should be reported.

The auditor's test work and sample size of each compliance requirement should be the result of the assessed level of inherent risk and control risk as it relates to each compliance requirement as stated in The Children's Trust Contracts.

The Program-Specific Audit requires the following components (a sample format may be found on The Children's Trust website):

1. Independent Auditor's Report on the Schedule of Expenditures of The Children's Trust Contracts
2. Schedule of Expenditures of The Children's Trust Contracts
3. Notes to Schedule
4. Independent Auditor's Report on Compliance for each of The Children's Trust Contracts and Report on Internal Control over Compliance
5. Schedule of Findings and Questioned Costs

At a minimum, the auditor must include the following tests in its audit program to ensure that the compliance requirements set forth in The Children's Trust compliance supplement are met. They are:

#### **The Children's Trust Compliance Supplement to the Program-Specific Audit:**

| <b>Compliance Requirement</b> | <b>Program-Specific Audit Implication</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Example</b>                                                                                                                                                                                                                                                                                                                                                     |
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| a) Internal Controls          | <p>1) An auditor's risk assessment must include an expectation of the operating effectiveness of controls over compliance, and in doing so, the assessed control risk must be assessed at low during the planning stage. If the auditor determines a lack of controls and identifies risk of material noncompliance that demonstrates internal controls do not exist or are not effective regarding the compliance requirement, a response to such risks should be developed, and a finding (significant deficiency or material weakness) should be reported.</p> <p>The auditor's test work and sample size of each compliance requirement should be the result of the assessed level of inherent risk and control risk as it relates to each compliance requirement as stated in The Children's Trust Contracts</p> | A) Controls tested during the financial statement audit may not consider compliance as it relates to The Children's Trust's Contract. Overall control risk must consider each compliance requirement tested during the Program-Specific Audit. Separate risk assessment procedures and materiality should be performed and generated for a Program-Specific Audit. |

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| <p>b) Budget vs. Actual Expenditures</p> | <p>1) The approved budget is to include the original approved Contract as well as any approved budget amendments/revisions.</p> | <p>A) Test work should include a schedule identifying each Contract and its original/amended budget, monthly billings, Contract utilization and any analytical expectations that may identify any overbillings.</p> <p>i. The current Children's Trust electronic system does not allow providers to overbill any budgeted line item or Contract allocation, however, if Contract utilization is greater or less than expected, this could indicate that a budgeted salary rate is not the employee's actual rate. Provider must compensate employees at the rate stated on the budget. Any difference in rate would warrant a finding in the Program-Specific Audit Report.</p> |
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| <p>c)<br/>Allowable/Unallowable Activities and Costs</p> <p><b>Common unallowable costs:</b></p> <ol style="list-style-type: none"> <li>1. Salary rates, payroll methods and hours billed that do not match original or amended budgets.</li> <li>2. Fringe benefits billed to The Children's Trust for employees not included in Contract budget and are unrelated to the program.</li> <li>3. Professional services billed within regular salaries and wages.</li> <li>4. Capital purchases disguised as repairs.</li> <li>5. Sales taxes and tips.</li> <li>6. Fuel.</li> <li>7. Food and beverage costs for parties, celebrations, end-of-program events, and conferences or conventions, unless while attending an out-of-town conference or convention.</li> <li>8. Monetary gift cards</li> </ol> | <ol style="list-style-type: none"> <li>1) Requires that the nature of services and type of costs paid are in agreement with the contractual budget and/or budget amendment/revision's Scope of Services and budget guidelines.<br/>AND/OR<br/>Requires that activities performed or costs paid with The Children's Trust funds are listed in the contractual budget narrative or a contractual budget amendment/revision narrative.</li> <li>2) Any cost or service billed that is not approved in the Contract's budget is a finding and reported as a questioned cost on the Program-Specific Audit Report.</li> <li>3) If any cost or service is billed in more than one Contract, and the billings are in excess of the total disbursement or approved allocation, the expense has been <b>overbilled or double billed</b> and should be considered a finding.</li> <li>4) The Children's Trust funds must supplement a program; <b>supplanting of funds is</b></li> </ol> | <p>A) If Provider asks to be reimbursed for six (6) field trips to teach children social skills, only field trips enumerated in either the contractual budget narrative or the contractual Scope of Service will be reimbursed.</p> <p>B) If the contractual budget, lists a program coordinator position at \$25.00/hour, provider must pay the program coordinator and charge The Children's Trust \$25.00/hour. Provider cannot substitute funding identified for the program coordinator to any other position.</p> <p>C) If the contractual budget, lists a program coordinator's position, with dedicated time charged to The Children's Trust program of 25%, provider must keep records of an employee's time to substantiate that 25% of time was in fact earned and charged to The Children's Trust program.</p> <p>D) If three Contracts list a program coordinator's total budgeted salary as \$100,000.00 and each Contract will reimburse \$35,000.00 (35%), then a possible overbilling of \$5,000 may have occurred (\$35,000.00*3=\$105,000.00 or 35%*3=105% Children's Trust salary allocation).</p> <p>E) If an invoice is submitted to The Children's Trust that</p> |
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| <p>as incentives.</p> <p>A detailed listing of all costs and activities considered allowed and unallowed can be viewed in the Budget Guidelines form on The Children's Trust website.</p> | <p><b>unallowable.</b> A provider may not use Contract funds to defray any costs that the recipient already is obligated to pay. (See example F.)</p>                                                      | <p>includes food charges for end-of-year parties and celebrations, those costs are <b>NOT</b> allowable per The Children's Trust budget guidelines and cannot be paid by The Children's Trust.</p> <p>F) If a provider, prior to applying to participate in the contracted program, committed to purchase 10 new computers for another program, provider must purchase those 10 computers in addition to any other computers requested for The Children's Trust program.</p> |
| <p>d) Cash Management</p>                                                                                                                                                                 | <p>1) With the exception of the last month of the Contract period, monthly invoices must represent costs actually paid during the Contract period (cash basis), rather than costs incurred or accrued.</p> | <p>A) If payroll is paid on 3/31, it should be disclosed in March's reimbursement.</p> <p>B) If payroll is paid on 4/1, but represents time charged in March, it should be disclosed in April's reimbursement.</p>                                                                                                                                                                                                                                                           |

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| e) Period of Availability | <p>1) Requires provider to charge The Children's Trust grant with only allowable costs resulting from obligations incurred during the funding period.</p> | <p>A) If the active Contract period extends from 8/1 through 7/31, and provider expends \$250.00 for office supplies on 9/30 during said Contract period, that expenditure must support program services performed during the Contract term.</p> <p>B) The following items warrant the most attention at the beginning and end of Contract periods:</p> <ul style="list-style-type: none"> <li>i. Payroll from expired Contracts is not allowed to be billed in the first month of the renewed Contract if it was paid during the invoiced month but was incurred in prior Contract. Reporting requirements for final invoice allow this payroll to be expensed and reimbursed in prior Contract. Only the portion of payroll incurred during the Contract period may be billed.</li> <li>ii. Utilities</li> <li>iii. Insurances</li> </ul> |
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| f) Special Provisions | <p>1) Eligibility requirements related to Contract expectations such as type of participants served, number of participants served and background checks should <b>NOT</b> be tested as part of The Children's Trust Program-Specific Audit. The Program-Specific Audit is meant to test the fiscal viability of provider. Therefore, certain Contract provisions that support the fiscal viability of provider should be tested.</p> | <p>Each of the following special provisions must be tested:</p> <p>A) Insurance requirements (further described in <b>Section K: Insurance Requirements</b> of this Contract)</p> <ul style="list-style-type: none"> <li>i. Auditor should determine if all applicable insurance policies were carried during the fiscal year.</li> </ul> <p>B) Proof of tax status (further described in <b>Section L: Proof of Tax Status</b> of this Contract)</p> <ul style="list-style-type: none"> <li>ii. Auditor should vouch that applicable documents verifying that all incurred payroll and unemployment taxes have been paid.</li> </ul> <p>C) Data security obligation (further described in <b>Section O:13</b> of this Contract)</p> <ul style="list-style-type: none"> <li>i. Auditor should obtain and/or understand provider's data security policy.</li> </ul> <p>D) Subcontractor agreements (if applicable)</p> <ul style="list-style-type: none"> <li>i. Auditor should obtain and understand any agreements made with subcontracted parties. Additionally, the auditor should obtain and understand any provider monitoring procedures.</li> </ul> <p>E) Matching Funds</p> |
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|  |  | <p>i. In some cases, a required match is contracted. This will be indicated in <b>Section C: Total Funding</b> of this Contract or as referenced in Section C. Verify the applied method provider uses to satisfy match requirements. Also, verify that provider maintains documentation to back up match requirements.</p> <p>F) DCF License Requirement</p> <p>i. For some Trust funded programs (After-school and early childhood programs), a Florida Department of Children and Families (DCF) license is required for each site delivering services. If during the contract period a funded site (s) has lapse its DCF license(s) coverage, the auditor should test the invoice period when the lapse occurred. No direct costs in association with the delivery of program services at the unlicensed site (s) should be invoiced to The Children's Trust during the lapsed period. For contracts with multiple sites, The Children's Trust would reimburse for the delivery of</p> |
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|  |  | services at the at the<br>licensed sites only. |
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The independent auditor's report shall state that the audit was conducted in accordance with: (1) auditing standards generally accepted in the United States of America; (2) the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (3) the Program-Specific Audit Requirements listed in The Children's Trust Contract.