

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
HUMAN SERVICES DEVELOPMENT FUND

Audit Guidelines

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Note: This guide is to be utilized by the county independent auditors when the DPW requests that this program be tested as a major within the single audit.

I. Program Objectives

The Human Services Development Fund (HSDF) affords counties the opportunity to: develop innovative services tailored to meet particular needs that may not be met within the categorical funding structure; develop processes that are intended to enhance the coordination of activities among human service agencies and programs; and expand existing categorical services within the county-operated programs. The HSDF services include Categorical, Service Coordination, Generic, and Specialized Services.

Categorical Services include Adult Services, Aging, Children and Youth, Drug and Alcohol, Homeless Assistance, Mental Health and Mental Retardation Programs, referenced hereafter in this Section as county human service programs. With the exception of the Adult Services Program, which has no source of funding other than the HSDF, each of the county programs covered by the HSDF has separate appropriation(s) that are the primary source of its funding.

II. Program Procedures

Funds are allocated to the counties in accordance with a predefined formula. Following the submission and approval of the HSDF Plan specifying the intended use of the funds, counties receive 12 monthly advanced payments. Reference the HSDF Instructions and Requirements, the Fiscal Year Update Package, and Supplements A, B, and C.

III. Compliance Requirements and Suggested Audit Procedures

Relationship of HSDF to Other Sections of the Audit Supplement

When the HSDF funding is used for Categorical Services, the service activities provided and the clients serviced must conform to the service definition and the eligibility requirement established by that categorical program. For instance, if the HSDF funds are used for the services of a county-based program such as Children and Youth or Homeless Assistance, the expenditures must meet the requirements of that program.

Therefore, when the HSDF categorical funding is used for existing services/cost centers in the various county programs, the administering agency for the HSDF is prohibited from contracting directly with those service provider agencies. Such contracts must be between those other county-based programs and the service provider agencies.

Consequently, except for Adult Services, the HSDF categorical funds transferred to another county-based program are considered part of that other county program and are subject to that program's regulations and requirements. However, the HSDF categorical funds cannot be used in all cost centers of the other county-based programs. Refer to the HSDF Fiscal Year Update Package for the unallowable cost centers.

The HSDF categorical funds must be audited with the applicable county program using the appropriate section(s) of the Audit Supplement. For example, the HSDF categorical funds allocated to the County Children and Youth Program should be audited along with the other Children and Youth funds by applying the appropriate Children and Youth regulations and requirements, and Section 2 of the Audit Supplement, as well as the HSDF Fiscal Year Update Package, which defines the allowable/unallowable cost centers.

A. Types of Services Allowed or Unallowed

Compliance Requirements

To be allowable, the type of services described below must be specified in the county's approved HSDF Pre-Expenditure Plan. The HSDF provides **Categorical Services, Generic Services, Specialized Services, and Service Coordination**. With the exception of **Adult Services**, all Categorical Services are audited under the individual categorical program in question. Adult Services are audited under this Section of the Audit Supplement because the HSDF is the sole source of funding.

Adult Services are predefined social services for low-income adults, including, but not limited to, Adult Placement, Chore, Life Skills, Education, and Protective Services. Adult Services are defined separately in Supplement B of the HSDF Instructions and Requirements. (Adult Service Supplement)

Generic Services are predefined services that are frequently needed by clients of two or more of the county human services programs, including, but not limited to, Adult Day Care, Homemaker, Service Planning/Case Management, and Transportation Services. Generic Services are

defined separately in Supplement C of the HSDF Instructions and Requirements. (Adult Service Supplement)

Specialized Services enable the county to address unique needs in any of the county human services programs. Specialized Services may be new services that do not exist under other categorical funding, or they may be a combination of service components focused upon clients of one or more of the county programs. Services are defined by the county in the approved HSDF

Pre-Expenditure Plan. Counties that use HSDF for Specialized Services are required to include performance outcome measurements as part of the Specialized Services page of the Pre-Expenditure Plan.

Service Coordination is designed to improve the coordination of planning, management, and service delivery among the county-operated programs that can be funded under the HSDF. The purpose of this service is to improve coordination among the human services programs/agencies providing services at the county level.

Services include, but are not limited to, staffing costs for coordinated planning committee or task force, costs for recruiting and training volunteers who work in the county human services system, and costs associated with the county's Human Services Coordinator/Director.

Service Coordination costs must be documented and submitted with Final Expenditure Report

Section II-D of the HSDF Instructions and Requirements lists specific prohibitions on the use of HSDF funding.

Suggested Audit Procedure (for the Provider of Service)

Test selected HSDF expenditures and related documentation to ensure that the HSDF funds were expended or contracted for services approved in the HSDF Contract.

Suggested Audit Procedures (for the County)

Review the county's approved HSDF Plan.

Test selected HSDF expenditures and related documentation, and ensure that the funds were expended or contracted for services approved in the HSDF Plan, approved amendments and waivers to plan, and the Instructions and Requirements.

Verify that Service Coordination expenditures were incurred at the county level.

B. Eligibility

Compliance Requirements

Eligibility for Generic and Specialized Services is determined by the eligibility requirement of the related categorical program under which the Generic or Specialized Service would fall or by the Adult Services eligibility criteria.

Counties may modify the Adult Services eligibility criteria to include different age restrictions, need criteria, or fee scales. Such modifications must be specified and approved in the HSDF Pre-Expenditure Plan and meet the requirements for Adult Services in accordance with PA Code, Title 55, Chapter 2050, which is provided in Supplement A of the HSDF Instructions and Requirements (Adult Services Supplements).

Where eligibility for all Adult Services is determined centrally, a letter of referral to the contracted service provider documents client eligibility; however, the case manager retains actual eligibility determination documentation. If eligibility is determined at the contracted provider, such documentation must be retained in the provider's client files.

Suggested Audit Procedure (for the Provider of Service)

Sample case files and ensure that each file contains either a letter of eligibility authorization/referral, an Adult Service eligibility form (PW 1131), or a Department of Public Welfare (DPW) approved equivalent.

C. Matching, Level of Effort, and/or Earmarking Requirements

There are no matching requirements.

D. Reporting Requirements

Compliance Requirements

The counties are required to submit:

- HSDF Quarterly Expenditure Reports
- HSDF Pre-Expenditure Report
- HSDF Final Expenditure Report
- Assurance of Compliance and Certification of Compliance signed by County Executive or a majority of Commissioners

(HSDF Instructions and Requirements)

Suggested Audit Procedures (for the County)

Review the procedures for preparing the HSDF reports, and evaluate for conformity with applicable requirements.

Sample the HSDF periodic reports, and review for completeness and accuracy.

Trace data to the supporting documentation, such as provider invoices.

Inquire of management regarding adjustments to reported revenues and/or expenditures that were not reflected on reports submitted to the DPW.

E. Special Tests and Provisions

NOTE: The Common Requirements Section of the Audit Supplement is considered an integral part of the testing for this program.

Compliance Requirement – Administrative Costs

The county is allowed to charge administrative costs to the HSDF up to a maximum of ten percent of total funds available (HSDF grant payments, fees, contributions, and interest earned on HSDF funds). County administration includes, but is not limited to: the cost of accounting, bookkeeping, and related activities necessary for processing payments to providers; the appropriate share of administrative overhead for space, maintenance, supervision, and legal, personnel, or support services; and audit costs that can be reasonably attributed to the HSDF. All costs associated with negotiating and monitoring HSDF contracts must be charged to county administrative costs, not Service Coordination.

County administrative costs must be documented and submitted with Final Expenditure Report.

Some administrative costs, such as costs associated with a Human Services Coordinator, may be apportioned among various county programs. Documentation supporting the apportionment of these costs must be maintained.

The county may subgrant all or part of the HSDF Program. If the county administrative function is also passed down to a service provider (i.e., the provider incurs costs for county administrative services), the combined “county” administrative costs for both the county and the service provider **cannot exceed the ten percent limitation**.

This requirement is for county administrative costs and does not include costs directly associated with service delivery. (HSDF Instructions and Requirements)

Suggested Audit Procedures (for the Administering County)

Trace reported county administrative costs to supporting documentation to ensure the validity of the expenditures.

Verify that the total amount of county administrative costs does not exceed the allowable limit of 10 percent. All indirect costs must be supported by a reasonable and consistent cost allocation plan.

If applicable, ensure that the methodology applied to allocated administrative costs is equitable and properly documented.

Compliance Requirement – Indirect Costs

Indirect costs may be charged to the HSDF provided that the county has a cost allocation plan, that the indirect costs do not exceed two percent of the HSDF allocation, and are reported within the administrative cost center. The total of all indirect and administrative costs must be within the ten percent limitation. (HSDF Instructions and Requirements; Social Services Bulletin 99-85-13)

Suggested Audit Procedures (for the County)

Review the cost allocation plan, and ensure that the methodology used to allocate indirect costs is equitable and consistent.

Verify that the indirect costs charged were allocated in accordance with the cost allocation plan and do not exceed the maximum allowable.

Evaluate these costs to determine that they are eligible and not duplicated as direct cost charges.

Compliance Requirements – Fixed Assets

A county may expend up to ten percent of the total funds available to purchase major items of equipment that have a useful life of more than one year, or that can be used repeatedly without materially changing or impairing their physical condition with normal repair, maintenance, or replacement of components. All fixed asset purchases must be approved and included in the HSDF pre-expenditure plan.

Ownership of equipment with a unit purchase price of over \$500 and acquired with HSDF funds shall remain with the county during the term of the grant. This includes equipment purchased by the county for its own use, and equipment purchased by or for contracted provider agencies. Counties must maintain an up-to-date inventory of such equipment purchased during present and previous fiscal years with HSDF funds. (HSDF Instructions and Requirements)

Where a county allows its contracted providers to use HSDF funds for fixed assets, all of the conditions listed above apply.

Suggested Audit Procedures (for the Provider of Service and the County)

Test selected HSDF expenditures and related records to determine that the county did not expend more than ten percent of the total funds available to purchase major items of equipment.

Verify that the title to fixed assets with a unit price of \$500 or more acquired with grant funds remains with the county.

Ascertain whether a current fixed asset inventory is maintained for fixed assets purchased with HSDF funds.

Verify that fixed asset purchases were included and approved in HSDF pre-expenditure plan.

Compliance Requirement – Interest Earned and Program Income

Counties shall ensure that all HSDF funds are deposited in interest-bearing accounts. Interest earned on HSDF funds, fees, and other program income must be used according to HSDF requirements and reported on the quarterly HSDF reports. (HSDF Instructions and Requirements)

Suggested Audit Procedures (for the Provider of Service and the Administering County)

Verify that the HSDF funds not immediately needed to meet expenditures are deposited in an interest-bearing account.

Ascertain whether interest is earned on HSDF funds and that such interest is properly reported on the quarterly and final expenditure reports.

Compliance Requirement – Written Agreements

The transfer of HSDF funds from the HSDF administering agency to a county categorical program must be by means of a written agreement. (HSDF Instructions and Requirements)

Suggested Audit Procedures (for the County)

Ascertain whether the HSDF administering agency has written agreement(s) with other county human service agencies to which it transfers funds.

Verify that the transfer of HSDF categorical funds to a county categorical program is done in accordance with the agreement(s).

Compliance Requirement – Procurement

The county must follow the procurement standards prescribed by the appropriate county code. The HSDF contracts should be approved by the county solicitor to ensure compliance with the applicable standards.

Suggested Audit Procedures (for the County)

Review the county's contracting procedures, and ensure that HSDF contracts are approved by the county solicitor.

Compliance Requirement – Encumbered Funds

Funds may not be encumbered out of current year funds for costs anticipated to be incurred in subsequent years. (HSDF Instructions and Requirements)

Suggested Audit Procedures (for the Provider of Service and the Administering County)

Review the program's financial records and related source documentation to determine that funds have not been encumbered out of the current year funds for costs anticipated to be incurred in a subsequent year.

Compliance Requirement – Subrecipient Monitoring

If the county subcontracts all or part of the HSDF Program, the county is responsible for ensuring that the provider of service adheres to the regulations and requirements of the program.

Suggested Audit Procedure (for the Administering County)

Ensure that the county complies with Common Requirement I, Subrecipient Monitoring, as detailed in the Common Requirements Section of the Audit Supplement.

IV. Applicable Regulations/Procedures and References

A. Act 1994-78; Human Services Development Fund Act

Instructions and Requirements for Human Services Development Fund, including the applicable Fiscal Year Update Package and Supplement A (PA Code, Title 55, Chapter 2050, Adult Services, Eligibility Regulations)

Supplement B, Adult Services Definitions

Supplement C, Generic Services Definitions

Social Services Bulletins 99-84-05 and 99-85-13

B. Catalog of Federal Domestic Assistance Reference

Not applicable. This program is funded entirely with state funds.

V. Supplemental Financial Information

A. Supplemental Financial Schedules

The required supplemental financial schedule for this program is **Exhibit X** found in **Appendix I** of the Audit Supplement. This exhibit is provided as an example of the required format, but may be expanded, if necessary, to facilitate completion as long as the format itself is maintained (i.e., additional lines may be added within various cost centers and/or line items).

B. Related Information

The following reports/schedules are available from the auditee and may be needed to complete/verify the supplemental financial schedule(s) specified above. **NOTE:** Please consult with the county to obtain the Instructions for the Annual Income and Expenditure Report for the fiscal year that coordinates with the audit period, as examples are no longer provided

Human Services Development Fund Expenditure Report