II	**FISCAL SECTION**
1400	**Site Visits, Desk Reviews, Contract Compliance Reviews, and Audits**

The *Network for a Healthy California* (*Network*) will conduct programmatic and fiscal reviews of *Network* contracts on a biennial basis to ensure compliance with the United States Department of Agriculture (USDA) guidance and to ensure the continued funding from USDA based on both program and fiscal compliance. These biennial reviews may be conducted using any of the following four methods:

1. Site Visit
2. Desk Review
3. Contract Compliance Monitoring Unit (CCMU)
4. Audit

1401 Site Visits

Site Visits will be conducted on at least half (50 percent) of the current *Network* contracts during each fiscal year. The purpose of a site visit is to:

1. Monitor and evaluate progress in completing contract deliverables.
2. Ensure compliance with USDA guidelines (cost allocation, fiscal documentation, identify changes in budgets, and scopes of work).
3. Provide programmatic and administrative technical assistance.
4. Observe and collect information on innovative strategies.
5. Observe programmatic activities.
6. Build partnerships.

Site Visit Procedure:

1. A Site Visit list will be generated at the beginning of each FFY to identify Contractors for site visit scheduling and to meet the *Network* goal of at least 50 percent of Contractors visited each fiscal year. An effort is made to coordinate with your assigned CM/PM/NEC for any site visits, desk reviews, CCMU review and audits so that your agency receives no more than one fiscal or programmatic review per fiscal year.
2. A *Site Visit Log* will be maintained by *Network* staff summarizing site visits scheduled and conducted for each fiscal year.
3. Site visits will be scheduled based on the priorities listed below and upon the request of Contractors.
4. Site visits will be scheduled in writing with at least two weeks advance notice.
5. A *Site Visit Report* will be issued summarizing findings and recommendations. The report will be provided to the Contractor within 30 days of the site visit. A timeline for follow-up and additional site-visits, if necessary, will be stipulated in the *Site Visit Report*.

Priority List for Scheduling Site Visit:

1. First year contractors, contractors who have never been site visited, or contractors requiring specific technical assistance as identified by *Network* staff.

2. Contractors who have not received a site visit in more than two years.
3. Contractors recommended for follow-up site visits in previous years.
4. Contracts with budgets exceeding $500,000 per fiscal year.
5. Contractors requesting general technical assistance.
6. Newly-funded channels or pilot programs.

Documentation of Site Visits

For each site visit the CM and PM are required to complete the following:

1. Site Visit Confirmation Letter. A Site Visit Confirmation Letter will be sent to the Contractor at least two weeks in advance, confirming the date, time and location of the site visit. The letter will include the primary areas to be discussed, an agenda and will indicate what type of documentation and records should be available for review by *Network* staff.
2. Site Visit Report and Cover Letter. *Network* staff will generate a Site Visit Report and Cover Letter summarizing site visit issues, key findings and recommendations. A Site Visit Report will be sent to the contractor within 30 calendar days of conducting a site visit. The report will summarize findings and recommendations. If necessary, the report will include a follow-up plan addressing concerns or issues identified during the site visit or desk review.

1402 Desk Review

Desk Reviews are to be conducted once in a contract term, on one quarterly invoice period for each *Network* contract. This may be done independently or coordinated with any CCMU Review or site visit scheduled for the year. The Desk Review documentation requested should match the quarterly invoice billed with appropriate back-up documentation for each line item in the approved budget and budget justification. If a discrepancy is found, the contractor will need to provide a justification for the discrepancy, or a disallowance may result.

The purpose of the Desk Review is to ascertain your agency adherences to the fiscal documentation requirements outlined in your contract and the Local Incentive Award (LIA) Guidelines Manual.

Desk Review Procedure: All expenditure documentation that is batched for each line item must equal the total amount reflected for that line item on the official Invoice being reviewed. The expenditure documentation will need to be separated, batched, and labeled according to the line item in which the expenses were claimed. A summary spreadsheet of the expenses for the specific line items requested is required on top of each batch, and the amount of the summary spreadsheet should reflect the amount claimed for that line item for the period (quarter) being reviewed. If your accounting system is capable of generating reports that contain detailed expenditure object codes which track expenditures to specific line items, you may use these reports as the required summary spreadsheets. Please provide a key for the expenditure object codes that have been designated for the report to assist with the review.

The documentation you must maintain includes, but is not limited to the items listed in Section 602, Required Supporting Documentation. For instance, agency records (including timesheets and agency purchase orders), where appropriate, should include signatures of authorized agency officials and the dates of expenses. Invoices, bills, or receipts from outside vendors/businesses should identify the vendor name, vendor location (e.g., address and/or phone number), item of expense, amount, and date. If your agency prorates their expenses among several projects, please provide an explanation of how you arrived at the percentage charged to the *Network* contract. Also, the expenditure source documentation provided for the items purchased or encumbered must be dated within the quarter the reimbursement was requested.

1403 Contract Compliance Monitoring Review

A Contract Compliance Monitoring Unit (CCMU) Review consists of an overall review of your fiscal and administrative functions, policies, and procedures by an independent unit, the CCMU.

Contract Compliance Monitoring Unit Procedures: Each contractor will receive a CCMU Review Notification Packet eight weeks prior to an onsite or desk review, confirming the date, time, location, and providing instructions on how to prepare the necessary documentation. The CCMU staff will meet with the contractor's assigned CM and PM prior to the visit to be given a status on the contract. After the review, CCMU will issue a written report and, if appropriate, a Program Improvement Plan (PIP) template to address any findings. A teleconference may be scheduled, if requested, by the Contractor, assigned CM, PM, or CCMU to discuss the report and any findings. If the report contains findings, the contractor will have approximately three weeks from the date the report is issued to develop the PIP that addresses each finding(s). Once a PIP is approved, the Contractor will have six months from the date of the PIP Approval letter to fully implement their PIP and have a follow-up desk review or site visit conducted to validate improved compliance. If the report contains no findings, the Contractor will have approximately one-to-two years before the next CCMU Review site visit will be conducted.

The *Network* and CCMU will address the recommendations and corrective actions from the 2006 USDA review, or any subsequent USDA review, and will prepare contractors for any future compliance reviews or audits by USDA. The CCMU will not take the place of your normal communication and reporting to your assigned CM and PM.

Contract Compliance Monitoring Unit Goals:

1. Provide quality Contract and Administrative Compliance Reviews and advisory services to local contractors in order to enhance fiscal and administrative integrity and ensure compliance to USDA Guidance and the USDA Administrative Review findings of June, 2006, and any subsequent USDA Administrative Reviews conducted of the *Network*.
2. Establish and implement quality control measures (baseline data) for fiscal administrative management of local projects for benchmarks and standards.

3. Establish and monitor reporting criteria for fiscal-administrative management of local projects.
4. Streamline system enhancements to reduce costs and increase efficiencies related to oversight and management of local projects. Match the workload needs to staff resources, the CM and PM and the *Network* contractors.
5. Identify best practices and patterns in USDA Guidance compliance issues and make recommendations to the *Network* management team
6. Assist the *Network* with training and incorporate into instructional administrative findings, conclusions and recommendations from the CCMU Review site visits and the USDA Administrative Review.
7. Provide Summary reports by channel to management outlining findings, trends, progress, challenges, and recommendations.

1404 Fiscal Administrative Audit

At any time during the term of a *Network* funded contract, and at any time up to three years after termination of that contract, the contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the *Network* contract. In the event of an audit, an agency or organization's nutrition program records must be sufficient and clear enough to support all fiscal claims.

Procedures:

1. The Auditing Agency will send out a notification letter to the selected *Network* contractors at least one month prior to the scheduled review. The review may look at financial activity for all financial periods not previously audited to the most current financial period.
2. The Auditor will also send out a brief questionnaire to be completed by the *Network* contractors prior to the financial review. Completion of the questionnaire will expedite the actual review process.
3. The *Network* contractors will have available during the audit all proper fiscal and program staff, as well as all records necessary to respond to questions.
4. The Auditor will give an exit interview to make suggestions and comments regarding the preliminary findings of the financial review. A formal report will be sent within three months of the visit.