

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF HUMAN SERVICES  
EARLY LEARNING RESOURCE CENTERS  
(ELRC)

Audit Guidelines for the  
Early Learning Resource Centers

Fiscal Year 2018-19

Note: CCISs operating in FY 2018-19 are to refer to the  
2017-2018 CCIS Draft Audit Guidelines

**EARLY LEARNING RESOURCE CENTERS (ELRC)**  
**Audit Guidelines**

The Early Learning Resource Centers (ELRC) Audit Guidelines, effective July 1, 2018 include changes related to the regional ELRCs. Auditors will use the ELRC audit guidelines for the calendar year ending December 31, 2018 for audit completion.

For Fiscal Year 2018-2019, Region 5 (Allegheny County) and Region 18 (Philadelphia County), continued to operate with the existing CCISs and Regional Keys until final selection of the ELRCs. Allegheny and Philadelphia counties will follow the CCIS Audit Guidelines 2017-2018 (DRAFT), located on the Department of Human Services website at:

[https://www.dhs.pa.gov/docs/For-Providers/Documents/Regulations\\_Handbooks\\_Guides\\_Manuals/c\\_198258.pdf](https://www.dhs.pa.gov/docs/For-Providers/Documents/Regulations_Handbooks_Guides_Manuals/c_198258.pdf)

**Introduction**

**I. Purpose**

These audit guidelines are intended for all legal entities operating the ELRC to ensure:

- Financial operations of the ELRC take place in accordance with federal laws, regulations, and policies.
- Financial operations of the ELRC take place in accordance with Department of Human Services (DHS) Subsidized Child Care Program laws, regulations, and policies.
- Financial operations of the ELRC take place in accordance with DHS Keystone STARS policies.

**II. Applicability**

These guidelines apply to the audit of DHS funding, provided to ELRC agencies for services rendered, in accordance with grant requirements.

**III. General Requirements**

Perform audits in accordance with the following:

- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F – Audit Requirements (Subpart F) (where applicable)

- These ELRC Audit Guidelines

At a minimum, it is necessary for the auditor to have access to the following documents:

- Pennsylvania Code, Title 55, Chapter 3041 – Subsidized Child Care Eligibility
- Pennsylvania Code, Title 55, Chapter 168 – Child Care
- DHS Approved ELRC grant
- ELRC Policy and Procedures Manual
- ELRC Provider Agreements
- ELRC Keystone STARS Grants and Awards
- Subgrants for Services
- Office of Child Development and Early Learning (OCDEL) Announcements (as applicable)
- OCDEL Communications (as applicable)

#### **IV. Audit Adjustments**

Adjustments for unallowable costs should be properly disclosed in the Independent Accountant’s Report on Applying Agreed-Upon Procedures and disclosed on all applicable supplemental schedules. If a corresponding adjustment to the schedules has been made, the report should so state. Audit findings must be specific as to the criteria upon which the adjustment is based, and the state fiscal period(s) affected, especially where questioned costs are involved.

Note: The ELRC is required to notify the assigned OCDEL Monitoring Program Representative of the time, date, and location of the pre-audit and post-audit conferences. Notification of this information may take place via phone or email to the ELRCs assigned Program Representative.

### **Early Learning Resource Center (ELRC)**

#### **I. Program Objectives**

The objectives of the ELRC are to manage the local child care program for subsidized child care and implement the Keystone STARS, quality rating and improvement initiative within a designated service region.

The ELRC accomplishes these objectives by providing the following services:

- Eligibility Determination – collect and evaluate client income documents, interpret and apply regulations and policy to process applications and redeterminations, follow-up on missing documentation, determine eligibility, conduct face-to-face interviews, establish and maintain child schedules for

- payment to providers, generate parent/provider notifications, maintain case files, process appeals and participate in appeal hearings.
- Provider Payments – invoice for services, review invoices, authorize payments, review Keystone STARS Merit and Education, Retention Award applications, prepare payments by check or direct deposit and maintain fiscal accounting records.
  - Resource and Referral – help parents locate and understand the benefits of quality child care and early learning programs, maintain current provider data information and perform online searches for parents.
  - Provider Management – maintain provider agreements, collect and verify rate information, manage out-of-state provider certification, and process relative/neighbor providers including initiating background checks, meeting face-to-face with providers, verifying documentation, and designating child care programs within the Keystone STARS Standards.
  - Funds Management – create budgets and budget revisions, referrals to the Office of Inspector General for suspected fraud, determine and collect overpayments, provide final expenditure reporting, and fiscal year start-up and end information.
  - Rising Stars Support Grant – target financial resources to early care and education providers who are committed to providing high quality child care to high need populations in hard-to-serve communities. All active Keystone STAR 1 child care certified early care providers who are actively working on a Continuous Quality Improvement (CQI) plan that includes moving up to a STAR 2 in a reasonable amount of time are eligible for this support grant. Also eligible are active STAR 2 providers who received the Rising STARS Support Grant and successfully moved from STAR 1 to STAR 2 as well as STAR 2 providers who have received the maximum amount of Merit Awards (three) but who now are positioned to move to a STAR 3 or 4. Finally, SACC only certified providers WILL also be included as an eligible program. To be eligible, providers may not receive more than two previous support grants (including the previous Rising STARS Support Grants) unless they successfully moved from STAR 1 to STAR 2 using the Rising STARS Support Grant. Eligibility exclusions include STARS Head Start, PA Pre-K Counts, Private Academic Schools (PDE licensed preschool) and School District Pre-K. SAC programs using After School Quality (ASQ) as an Alternate Pathways for STAR 2 will not be eligible for the Rising STARS Support Grant.
  - Infant and Toddler Pilot Project – project began September 2018 with pilot contracted slots for infants and toddlers participating in Child Care Works (CCW). Leveraging of the PA Pre-K Counts model to pilot contracting with STAR 3 and STAR 4 programs to serve infants and toddlers in high-quality settings. The pilot goal was to improve access to, and continued enrollment of, children 0-36 months in high-quality early care and education programs and was supported by the results of Pennsylvania’s Infant/Toddler policy scan (a tool developed by Administration for Children and Families’ Office of Child Care).

## II. Program Procedures

The ELRC administers the subsidized child care program, Child Care Works (CCW) and Keystone STARS within a designated service area.

The ELRC grant agreement includes a fixed cost reimbursement, paid 1/12<sup>th</sup> monthly, for Administrative/Family Support Service costs (FSS).

The Service dollars to support CCW enrollments and Keystone STARS grants and awards are paid via reimbursement based on monthly billing.

The ELRC performs family eligibility evaluations, resource and referral services, determines eligibility, and authorizes services for subsidized child care, manages a waiting list of eligible families for whom insufficient funds or lack of openings precludes immediate placement, executes provider agreements and delivers provider payment and management services for subsidized child care services purchased with grant funds. The ELRC also must work with the County Assistance Office (CAO), Employment and Training contractors (E&T) and the Office of Inspector General (OIG).

Additionally, the ELRC manages the implementation of Keystone STARS, Pennsylvania's quality, rating and improvement system for child care and other early learning providers. In this capacity, the ELRC supports the recruitment, designation and movement through the Keystone STARS Performance Standards. In implementation of Keystone STARS, the ELRC ensures that designated child care providers maintain a full Certificate of Compliance, fulfill the Keystone STAR requirements for the level at which they are designated, manage funds to support quality at the program level, and ensure providers are not listed for State or Federal exclusion. Use of the following sites will assist in verification:

Use of the Commonwealth of Pennsylvania – Debarment and Suspension:  
<https://www.dgs.internet.state.pa.us/debarmentsearch/debarment/index>

The federal System for Award Management (SAM.gov):  
<https://sam.gov/SAM/pages/public/searchRecords/search.jsf>

The PA Department of Revenue Tax Lien lists (Business/Individual):  
<https://www.revenue.pa.gov/GeneralTaxInformation/Compliance/Liens/Pages/default.aspx>

### **III. Compliance Requirements and Suggested Audit Procedures**

#### **A. Types of Services Allowed or Unallowed**

##### **Compliance Requirement**

Child care centers, group child care homes, family child care homes, legally unregulated providers, and in-home providers are service sites that may provide the following part or full day services on a daily rate basis for: Infant, Young Toddler, Older Toddler, Preschool, and School Age children. An enrollment summary must be issued by the ELRC for each service that is purchased under the terms of a provider agreement.

The provider must submit a monthly attendance invoice to the ELRC that reports the attendance of enrolled, eligible children. Payment to all providers, except for In-Home care, is based on enrollment. For In-Home care, payment is based on actual days attended. (ELRC Grant; OCDEL Policy Communiqué #15-10 ELRC Policy and Procedures Manual)

##### **Suggested Audit Procedures**

Ensure that the ELRC has necessary procedures and control of the enrollment summary process in PELICAN Child Care Works (CCW).

Test payments to providers to ensure that a valid enrollment summary was in place.

Trace a sample of provider invoices submitted to the ELRC to the provider's supporting documentation to verify that the number of service days/attended days was properly reflected. Trace a sample of payment summaries and actual provider payments remitted to the provider to the attendance invoice completed and submitted to the ELRC by the provider. Verify that the number of paid days (enrolled service days/attended days) was properly reflected.

Test a sample of In-Home providers to verify that the agreement involved is with the parent, and that the provider acknowledged the parent as the employer, and that the ELRC paid based on attended days (not enrolled days).

##### **Compliance Requirement**

The ELRC will provide all parents, upon request, with resource and referral service to legally operating facilities. (ELRC Policy and Procedures Manual)

## **Suggested Audit Procedures**

Verify that the ELRC has performed the required functions and report any instances of noncompliance.

When the parent agency of the ELRC is also operating a child care facility, verify that there is not a conflict of interest in making referrals to eligible clients.

### **B. Eligibility – Low Income**

#### **Compliance Requirement**

An initial determination of eligibility for Low Income clients must be completed before service is provided. A full redetermination of eligibility must be completed once every twelve months. (OCDEL Policy Communiqué #15-20 and #18-03)

#### **Suggested Audit Procedure**

Sample client files and verify that a current eligibility application form or a copy of the Application Summary page from PELICAN CCW is contained in each file. Note that this is merely a check for the **presence** of the required material in the records and does not require auditor judgment as to the content of the material.

### **C. Eligibility – Former TANF**

#### **Compliance Requirement**

An initial determination of eligibility for Former TANF clients must be completed before service is provided. A full redetermination of eligibility must be completed once every twelve months. (OCDEL Policy Communiqué #15-20)

#### **Suggested Audit Procedure**

Sample client files and verify that a self-certification form, self-declaration form or application completed at the time of application is contained in each file. Note that this is merely a check for the **presence** of the required material in the records and does not require auditor judgment as to the content of the material.

**D. Child Care Enrollment Rules – TANF, SNAP and General Assistance/Work Support 2**

**Compliance Requirement**

An initial determination/assessment of child care rules for TANF, SNAP and GA clients must be completed before service is provided. Eligibility for child care is determined in the Client Information System (CIS) by the County Assistance Office (CAO) prior to the child care rules assessment in the PELICAN CCW. (PA Code, Title 55, Chapter 168 – Child Care)

**Suggested Audit Procedure**

Sample client files and verify that the client is eligible in CIS and that a current self-certification form is contained in each file. Note that this is merely a check for the **presence** of the required material in the records and does not require auditor judgment as to the content of the material.

**E. Matching, Level of Effort, and/or Earmarking Requirements**

There are no matching requirements.

**F. Reporting Requirements**

**Compliance Requirement**

The ELRCs are required to submit the following reports:

ELRC Recap Worksheet for the Fiscal Year 2018-2019

Forms prescribed for use by the DHS are to be used (ELRC Grant; ELRC Policy and Procedures Manual)

**Suggested Audit Procedures (for the ELRC)**

Verify that DHS-prescribed forms were used.

Obtain a full copy of the final ELRC Recap for the 18-19 fiscal year and the supporting documentation.

**NOTE: The final ELRC Recap for the fiscal year 2018-2019 becomes the supplemental financial schedule for this Section.**

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

Verify that an initial ELRC Recap was submitted to the DHS by the contractual deadline.

Assure that interest earned by the ELRC on Federal and State funds is included in the ELRC Recap as Other Income and on the budget as an increase to the Service allocation.

Analyze the final ELRC Recap for the fiscal year to determine the accuracy of the summarization of those reports.

Verify all revenue, including supplemental payments – which can be received as late as October of the new fiscal year.

Assure that a new ELRC Recap Worksheet was submitted along with any revised budgets to the DHS following receipt of supplemental payments.

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

## **G. Special Tests and Provisions**

### **Compliance Requirement – Rate Documentation**

The Converted Payment Rate (CPR) is calculated from the Private Pay Rate (PPR) entered by the provider online through Provider Self Service (PSS) or entered by the ELRC agency within PELICAN CCW. The PPR entered is the published rate that the provider location charges the general public for child care services. Providers are paid the Subsidy Payment Rate which is the CPR or the DHS Maximum Child Care Allowance (MCCA) rate, whichever is lower. The MCCA applicable to the provider's location is based on the county where the provider location resides. For out-of-state providers and in-home enrollments, the MCCA applicable to the client's location (county of residence) is used. (ELRC Grant; ELRC Policy and Procedures Manual, OCDEL Policy Communiqué #15-10: Revised Appendix A of the Regulated Provider Agreement.)

ELRC agencies will only convert private pay rates to CPR when:

- A new provider or location is established.
- An existing provider begins caring for a new care level.
- An existing provider begins operating with a new Tax ID.
- The Private Pay Rate is reduced below the MCCA or is already below the MCCA and the provider reduces it further.
- OCDEL allows a rate increase.

## **Suggested Audit Procedures**

Test a sample of providers whose rates were paid by the ELRC. Test to ensure that the ELRC converted private pay rates correctly per the DHS guidelines above. Ensure that the ELRC entered the Provider's PPR into PELICAN CCW accurately by care level and unit of care and with the correct effective date.

Sample provider files for the presence of the provider's published rate sheet.

## **Compliance Requirement – Co-Payments**

The ELRC is to determine the amount of the fee to be paid by the parent /caretaker (p/c) for Low Income and Former TANF clients in accordance with procedures contained in the Pennsylvania Code, Title 55, Chapter 3041. The service costs are to be reduced by the fees collected. (55 PA Code §3041.101 - §3041.109; ELRC Grant; ELRC Policy and Procedures Manual)

The ELRC is to determine the amount of the fee to be paid by the p/c for TANF clients participating in paid activities in accordance with procedures contained in the Pennsylvania Code, Title 55, Chapter 168. The service costs are to be reduced by the fees collected. (55 PA Code §168.20; ELRC Grant; ELRC Policy and Procedures Manual)

## **Suggested Audit Procedures**

Analyze the ELRC's fee assessment, reporting procedures, and evaluate for conformity with applicable requirements.

Trace a sample of payment summaries and actual payments made to providers to verify that clients were assessed parent fees in accordance with policy and regulations and are reflected in the payments made to providers.

## **Compliance Requirement – Child Care Provider Closures**

The ELRC may not pay a regulated provider (center, family, or group) for more than 15 days of closure and may not pay a legally unregulated provider for any days of closure for any reason during a grant period. (ELRC Grant; OCDEL Policy and Procedures Manual, OCDEL Policy Communiqué #15-10)

### **Suggested Audit Procedure**

Analyze the ELRC's provider payment procedures and determine whether there are controls in place to prevent payment for closures for any reason in excess of the limit referenced above. In addition, verify that communication from providers of emergency and/or additional future closures, within the 15 day maximum, are entered into PELICAN CCW. Trace a sample of regulated providers' listed closings within the provider files to the data entered into PELICAN CCW to validate that the number of paid closings are accurately entered. Trace a sample of the legally unregulated provider data in PELICAN CCW to validate that there are no paid closings entered into PELICAN CCW.

### **Compliance Requirement – Interest-Bearing Accounts**

Funds received under the ELRC grant must be deposited in an interest-bearing account. If ELRC funds are co-mingled with other funds in an interest-bearing account, the ELRC's share of interest earned must be credited to the ELRC. The ELRC may use the earned interest income to increase services provided under the grant. Earned interest income cannot be used for FSS costs. All interest income not used for services must be returned to the DHS. (ELRC Grant, ELRC Policy and Procedures Manual)

### **Suggested Audit Procedures**

Determine whether funding is held in an interest-bearing account and whether it is properly reported.

If funds are co-mingled in an interest-bearing account, determine whether the ELRC has been properly credited with its share of interest earned.

Verify that the interest income was not used for FSS costs.

Ascertain that the earned interest income was used to increase services provided under the grant or returned to the DHS.

### **Compliance Requirement – Property and Supplies**

All property furnished by the Department or personal property acquired by the ELRC, including purchase by lease-purchase contract, for which the ELRC is to be reimbursed under this contract shall be deemed "Department Property". The ELRC shall maintain and administer a program for the maintenance, repair, protection, preservation and insurance of Department Property, as to assure its full availability and

usefulness. And, Department Property shall be used only for the performance of this contract. (ELRC Grant, Addendum to Standard Contract Terms and Conditions)

### **Suggested Audit Procedures**

Verify that the title to property acquired with grant funds rests with the Department and that a ledger of fixed assets purchased is maintained.

Verify that the property is used for ELRC purposes.

Determine that property purchased with Admin/FSS funds are properly reported within PELICAN for Administration/FSS.

### **Compliance Requirement – Movement of Funds**

The grantee may not move funds within its budget from the FSS portion of the budget to the service portion of the SAME budget without OCDEL approval.

OCDEL may instruct the grantee to adjust the total allocation amounts, effectively changing the total grant amount. These changes can occur at any time from the start of the grant period through October 31 following the end of the fiscal year.

Note: OCDEL may change service and FSS allocation amounts between August 31 and October 31 in order to reimburse statewide expenditures across all ELRC agencies. As a result, the ELRC agency may use available funds from any funding source to cover its expenditures. OCDEL will properly account for funds in the Commonwealth Accounting System after receipt of final Recap reports.

### **Suggested Audit Procedure**

Verify that budgets were adjusted in order to provide sufficient allocations to cover the grantee's expenditures as reported on the ELRC Recap.

Verify that budgets were not adjusted after October 31 following the conclusion of the fiscal year.

### **Compliance Requirement – Service Subcontracts**

The ELRC may enter into two types of subcontracts: Special Populations and Transition to Parent Choice. Each has a funding limit and criteria that are specified in the ELRC grant. (ELRC Grant; ELRC Policy and Procedures Manual)

### **Suggested Audit Procedure**

Verify that the conditions and limitations for subcontracting contained in the ELRC Grant and the ELRC Policy and Procedures Manual were met.

Verify that the Keystone Standards, Training/Professional Development, Assistance, Resources, and Supports quality rating system promoting quality improvement in early learning and development programs and school-age child care were met.

### **Compliance Requirement – Subrecipient Monitoring**

If the ELRC subcontracts all or part of the ELRC function, it is responsible for ensuring that the subgranted ELRC adheres to the regulations and requirements of the program. The ELRC must require, through its agreement with the subgrantee(s), the inclusion of these audit guidelines as part of the subgrantee’s audit process. (ELRC Grant)

### **Suggested Audit Procedure**

If the ELRC subgrants all or part of the ELRC function, verify that the ELRC, through its agreement with its subgrantor(s), has included reference to these Audit Guidelines as they relate to the subgrantor’s audit.

## **IV. Applicable Regulations and Procedures**

### **A. Early Learning Resource Center Grant**

PA Code, Title 55, Chapter 3041 Subsidized Child Care Eligibility

PA Code, Title 55, Chapter 168 Child Care

PA Code, Title 55, Chapter 3270 Child Day Care Centers

PA Code, Title 55, Chapter 3280 Group Child Day Care Homes

PA Code, Title 55, Chapter 3290 Family Child Day Care Homes

PA Code, Title 55, Chapter 275 Appeal and Fair Hearing and Administrative Disqualification Hearings

ELRC Policy and Procedures Manual

2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Federal Register 7 CFR 273 – Food and Nutrition Service

## **B. Catalog of Federal Domestic Assistance (CFDA) References**

CFDA# 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)

CFDA# 93.575 – Child Care and Development Block Grant (CCDBG)

CFDA# 93.558 – Temporary Assistance for Needy Families (TANF)

CFDA# 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)

CFDA# 93.667 – Social Services Block Grant (SSBG)

**NOTE: The ELRC funding sources and amounts are located in PELICAN CCW. The ELRCs have access to instructions on how to locate the CFDA numbers for their allocation and payment amounts. (ELRC Policy and Procedures Manual Chapter 111 Recaps)**

## **V. Supplemental Financial Information**

### **A. Supplemental Financial Schedules**

1. The required supplemental financial schedule for this program consists of the revised version of the Recap, which includes all the ELRC components, for the fiscal year-end June 30 listed below:

- ELRC Recap for the Fiscal Year ended June 30, 2019

**An Independent Accountant’s Report on Applying Agreed-Upon Procedures should accompany the supplemental financial schedule, unless included in the Auditor’s Report on Supplemental Information. The format for this report is included in Appendix I.**

2. All organizations that are submitting a single audit in accordance with 2 CFR Part 200, Subpart F, are also required to include in their single audit reporting package a supplemental schedule reconciliation, which is to be subjected to an Agreed-Upon Procedures engagement. The schedule, for which an example is included in Appendix II, is a reconciliation of the expenditures listed on the Schedule of Expenditures of Federal Awards (SEFA) to the Federal award income received from the Pennsylvania Department of Human Services (DHS), as noted in the revenue confirmation received from the Commonwealth of Pennsylvania.

## VI. General Information

### **Record Retention**

The DHS follows 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). However, the Uniform Guidance also requires records to be retained longer in the case of litigation, claims, and/or audit findings. For these reasons records should be retained until litigation, claims, and/or audit findings are resolved/settled and final action has been taken.

### **Audit Report Due Dates**

Audit reports required by the Uniform Guidance are to be submitted within nine months following the end of the audited period/fiscal year. For entities with the following year ends the submission dates are as follows (example):

<u>Audit Period Ended</u>	<u>Report Submission Due Date</u>
June 30, 2019	March 31, 2020
December 31, 2019	September 30, 2020

### **Report Submission**

The ELRC must submit an electronic copy of the single audit report package to the Federal Audit Clearinghouse. The ELRC must then send a copy of the confirmation from the Federal Audit Clearinghouse to the Office of the Budget, Bureau of Audits, at [RA-BOASingleAudit@pa.gov](mailto:RA-BOASingleAudit@pa.gov).

#### **The audit package should include:**

- The financial audit report
- The single audit report
- Any applicable Corrective Action Plan (when findings have been issued.)
- The DHS required supplemental schedules and corresponding Independent Accountant's Report on Applying Agreed-Upon Procedures (Appendix 1 and Appendix 2) and/or any contract-required schedules
- Data Collection Form
- Management Letter, if issued

Please refer to the Office of the Budget, Bureau of Audits instructions for single audit report submission at:

<http://www.budget.pa.gov/Services/ForGranteesAndSubrecipients/Pages/SingleAuditSubmissions.aspx>

## **Requests for Confirmation**

The Office of the Budget, Comptroller Operations processes a wide variety of requests for confirmation and has a special unit for this purpose. Such requests should always include the number of the contract/grant in question as well as the name of the program as it is used at the state level. Cut-off methodology and dates also vary; therefore, requests should include a list of the amounts to be confirmed, along with the total of the payments in question. Blanket requests for confirmation that do not contain the elements referenced above are discouraged.

### **Confirmation requests should be e-mailed to:**

[RA-AuditConfirmation@pa.gov](mailto:RA-AuditConfirmation@pa.gov)

### **Confirmations requests regarding PROMISE payments only should be e-mailed to:**

[RA-QAPromiseConf@pa.gov](mailto:RA-QAPromiseConf@pa.gov)

## **Points of Contact**

Questions regarding this Audit Guide, DHS audit policy, and specific programs funded either directly or indirectly through DHS should be directed to:

Email: [RA-pwauditresolution@pa.gov](mailto:RA-pwauditresolution@pa.gov)

Or via mail:

Commonwealth of Pennsylvania  
Department of Human Services  
Bureau of Financial Operations  
Audit Resolution Section  
3 Ginko Drive – 2<sup>nd</sup> Floor  
Hilltop Building  
P.O. Box 2675  
Harrisburg, Pennsylvania 17110-2675

# **APPENDIX I: Reporting**

## EARLY LEARNING RESOURCE CENTER (ELRC) RECAP SUPPLEMENTAL FINANCIAL SCHEDULES

**ATTENTION:** The information contained below is for Government Operated, Non-profit, and For-profit Child Care Information Services (ELRC) agencies that contract directly with the Department of Human Services (DHS). However, these guidelines are also applicable if the ELRC subcontracts all or part of the ELRC function.

## **ELRC RECAP SUPPLEMENTAL FINANCIAL SCHEDULES**

### **Introduction**

**NOTE:** The submission of information related to Appendix I is not affected by the issuance of 2 CFR Part 200, Subpart F. Please review the Audit Clause contained in the ELRC contract to determine whether a Single Audit or Program Specific (Yellow-book) audit is required.

There are several reasons for requiring the ELRC Recap supplemental financial schedules and the corresponding Independent Accountant's Report on Applying Agreed-Upon Procedures including: timing, varying bases of program accounting, and the level of audit work required. Even though the fiscal year used by many entities for financial reporting purposes ends on June 30, some entities have alternate fiscal year end dates. For this reason those entities are required to submit expenditure reports and grant/contract-specific information based upon the Commonwealth's July 1 to June 30 fiscal year, or other program periods, such as the October 1 to September 30 federal fiscal year (when required). Both the single audit and supplemental schedules must be submitted in accordance with the Office of Budget, Bureau of Audits' requirements.

As is the case with other financial statements, management (the auditee) is responsible for the preparation of the required supplemental financial schedules. The auditor is asked to perform certain procedures on these schedules and incorporate all such schedules into the Audit package using the Independent Accountants Report on Applying Agreed-Upon Procedures.

### **Schedules**

The ELRC Recap supplemental financial schedules are required from all ELRC providers, as the schedules are used in completing the program settlement.

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

An Independent Accountant's Report on Applying Agreed-Upon Procedures (AUP) must be submitted with the supplemental information referenced above and is considered an integral part of the audit package. The procedures are provided in this appendix. This engagement should be performed in accordance with AICPA Statement on Standards for Attestation Engagements No.10, Agreed-Upon Procedures Engagements, as amended (AT §201). It is used to provide information relevant to the supplemental financial schedules. **The issuance of this report in no way absolves the auditor from his/her responsibility to disclose financial errors and/or compliance deficiencies or fraud. The standards pertaining to adequate disclosure still apply to this engagement.**

The AUP must be submitted regardless of the fiscal year of the auditee. The procedures are: (a) verify by comparison of the amounts and classifications to ensure that the schedules have been accurately compiled and reflect the audited books and records of the auditee and are at the requested level of detail; (b) inquire of management regarding adjustments to revenues and/or expenditures; (c) provide a detailed listing of the necessary adjustments and/or findings affecting the schedules.

### **Audit Adjustments/Findings**

Because many of the audits received by DHS are conducted on a fiscal period other than that required for the supplemental information, **it is very important that all adjustments be properly disclosed in the AUP and disclosed on all supplemental schedules.** If corresponding adjustments to the schedules have been made, the report should so state. Audit findings must be specific as to state the fiscal period(s) affected, especially where questioned costs are involved.

### **Content of the Schedules**

The information contained in these schedules should include the results of the auditor's inquiries and the audit work performed. **They are not to be routinely submitted as previously reported by the auditee.** However, in cases where there are no adjustments, a provider-prepared schedule that has been amended to include a specific cross-reference to the AUP is acceptable.

**Interest income** earned on DHS funds must be reflected on the applicable supplemental financial schedule.

## **Technical Assistance**

Questions regarding this Audit Guide, DHS audit policy, and specific programs funded either directly or indirectly through DHS should be directed to:

Commonwealth of Pennsylvania  
Department of Human Services  
Bureau of Financial Operations  
Division of Audit and Review  
Audit Resolution Section  
3 Ginko Drive  
P.O. Box 2675  
Harrisburg, Pennsylvania 17105-2675  
[RA-pwauditresolution@pa.gov](mailto:RA-pwauditresolution@pa.gov)



# **APPENDIX II: Reporting**

## RECONCILIATION SUPPLEMENTAL FINANCIAL SCHEDULE

**ATTENTION:** The information contained below is for Government Operated, Non-profit, and For-profit Child Care Information Services (ELRC) agencies that contract directly with the Department of Human Services (DHS) and are submitting a single audit in accordance with 2 CFR Part 200, Subpart F, or Title 45, CFR 75.501(i), as appropriate. However, these guidelines are also applicable if the ELRC subcontracts all or part of the ELRC function.

## RECONCILIATION SUPPLEMENTAL FINANCIAL SCHEDULE

### Introduction

**NOTE:** The submission of information related to Appendix II is not affected by the issuance of 2 CFR Part 200, Subpart F. Please review the Audit Clause contained in the ELRC contract to determine whether a Single Audit or Program Specific (Yellow-book) audit is required.

All ELRC Agencies who are submitting a single audit in accordance with 2 CFR Part 200, Subpart F are also required to include in their single audit reporting package a supplemental schedule, which is to be subjected to an Agreed-Upon Procedures engagement. The schedule, for which an example is included in this Appendix, is a reconciliation of the expenditures listed on the Schedule of Expenditures of Federal Awards (SEFA) to the Federal award income received from the Pennsylvania Department of Human Services (DHS), as noted in the revenue confirmation received from the Commonwealth of Pennsylvania. The procedures to be performed on the reconciliation schedule are as follows:

- (a) Agree the expenditure amounts listed on the reconciliation schedule under the “Federal Expenditures per the SEFA” column C to the audited Schedule of Expenditures of Federal Awards (SEFA).
- (b) Agree the receipt amounts listed on the reconciliation schedule under the “Federal Awards Received per the audit confirmation reply from Pennsylvania” column D to the subrecipient Federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.
- (c) Recalculate the amounts listed under the “Difference” column E and the “% Difference” column F.

- (d) Agree the amounts listed under the “Difference” column E to the audited books and records of the ELRC Agency.
- (e) Agree the “Detailed Explanation of the Differences” to the audited books and records of the ELRC Agency.
- (f) Based on the procedures detailed in paragraphs (a) through (e) above, disclose any adjustments and/or findings which have not been reflected on the corresponding schedules (List each separately.).

As is the case with other financial statements, management (the auditee) is responsible for the preparation of the required supplemental financial schedules. The auditor is asked to perform certain procedures on these schedules and incorporate all such schedules into the Audit package using the Independent Accountant’s Report on Applying Agreed-Upon Procedures.

**Technical Assistance**

Questions regarding this Audit Guide, DHS audit policy, and specific programs funded either directly or indirectly through DHS should be directed to:

Commonwealth of Pennsylvania  
Department of Human Services  
Bureau of Financial Operations  
Division of Audit and Review  
Audit Resolution Section  
3 Ginko Drive  
P.O. Box 2675  
Harrisburg, Pennsylvania 17105-2675  
[RA-pwauditresolution@pa.gov](mailto:RA-pwauditresolution@pa.gov)

Entity Name

Year Ended {ORGANIZATION'S FINANCIAL STATEMENT DATE}

SUPPLEMENTAL SCHEDULE

RECONCILIATION

Federal Awards Passed through the Pennsylvania Department of Human Services

Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply

(A)	(B)	(C)	(D)	(E)	(F)	(G)
			Federal Awards Received			
CFDA	CFDA	Federal Expenditures	per the audit confirmation	Difference	% Difference	Detailed
Name	Number	per the SEFA	reply from Pennsylvania	(C-D)	(E/D)	Explanation of the Differences
		\$	\$	\$	%	