

2013



MANUAL OF AGREED UPON PROCEDURES FOR ARKANSAS VICTIM JUSTICE ASSISTANCE PROGRAMS

Instructions for Independent Certified Public Accountants (CPAs) performing the Agreed Upon Procedures outlined by DFA Office of Intergovernmental Services

Arkansas DEPARTMENT OF Finance AND Administration Office of Intergovernmental Services

MANUAL FOR PERFORMING AGREED UPON PROCEDURES FOR Victim Justice Assistance PROGRAM GRANTS

Questions regarding the content of this manual, the conduct of the agreed upon procedures, preparation of the audit report or its distribution should be directed to the Assistant Administrator of the Office of Intergovernmental Services at 1515 West 7th Street, Little Rock, AR 72201, telephone (501) 682-5260.

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Section 1. Introduction

A. Summary

This manual shall be used in the performance of agreed upon procedures on behalf of the Arkansas Department of Finance and Administration, Office of Intergovernmental Services (DFA-IGS). These procedures test and report on grant recipients' compliance with the stated terms and conditions of their subgrant award and federal and state regulations and guidelines. The findings from these procedures must be compiled in the *Independent Accountant's Report on Applying Agreed Upon Procedures*. These procedures are required for all recipients of awards from DFA-IGS under the Victim Justice Assistance grants, except those entities that are required to have performed a Single Audit under OMB Circular A-133. This manual can be accessed online at:

<http://www.dfa.arkansas.gov/offices/intergovernmentalServices/grants/Pages/Resources.aspx>

The Arkansas Department of Finance and Administration, Office of Intergovernmental Services (DFA-IGS) receives and administers federal grants under the Stop Violence against Women Act (STOP), Victims of Crime Act (VOCA) and Family Violence Prevention Services Act (FVPSA) programs, commonly referred to as Victim Justice Assistance (VJA) grants. Federal regulations require that DFA-IGS closely monitor subawards issued under these grants for compliance with required Federal and state regulations and program guidelines.

B. Qualification of Independent Accountants

Each agreed upon procedures engagement shall be performed by a certified public accountant (CPA) licensed currently by the Arkansas State Board of Public Accountancy and selected by the entity's board of directors. DFA-IGS has established a contract with eligible CPAs across the state who will perform the procedures outlined in this manual at a contracted rate. A list of these CPA's may be found at:

<http://www.dfa.arkansas.gov/offices/intergovernmentalServices/grants/Pages/Resources.aspx>

Accountant Selection

The grant recipient may use a CPA from the State contract or may select any eligible CPA who meets the required standards.

It is the responsibility of the recipient entity to select an independent accountant and to pay for the agreed upon procedures services. However, DFA-IGS reserves the right to choose the accountant for any or all of its sub-recipients. If DFA-IGS elects to exercise that right, the recipient entity will be given advance notice and the cost of the services will be paid by DFA-IGS.

Cost of the Accountant's Services

DFA-IGS may at its discretion partially or fully fund the cost of services provided by an independent accountant engaged to perform agreed upon procedures by the recipient entity provided that:

- DFA-IGS determines that federal funds are sufficient to support the cost, and federal guidelines do not prohibit the cost to the underlying program; and
- The independent accountant is engaged under the State's contract to perform such services or that his/her cost does not exceed the rate available for the same services offered under the State's contract.

Submission Requirements

The *Independent Accountant's Report* must be submitted in accordance with the dates listed below. Reports must be signed and the original submitted to DFA-IGS at the address listed below.

Any grant recipient failing to submit the *Independent Accountant's Report* by the deadline may not be considered for funding in successive grant cycles. The grant expiration and *Independent Accountant's Report* timeline are as follows:

Victim Justice Assistance Grant and Attestation Report Timeline
<p><u>High Risk Review (Determined by DFA)</u></p> <ul style="list-style-type: none">▪ Selection Period¹ - January 1st through March 31st 2014▪ Independent Accountant's Report Due – May 31st 2014▪ STOP, VOCA and FVPSA grants expired - September 30, 2013 <p><u>Standard Review</u></p> <ul style="list-style-type: none">▪ Selection Period¹ – June 1st through August 31st 2014▪ STOP, VOCA and FVPSA grants expire - September 30, 2014▪ Independent Accountant's Report Due – January 31st 2015▪ New grant cycle begins - October 1, 2014 <i>Completed Independent Accountant's Reports must be submitted and accepted or recipient's application for continued award may not to be considered for funding.</i>

¹ Selection Period refers to the allotted timeframe that subgrant recipients may select a CPA from the list of qualified Certified Public Accountants to perform these Agreed Upon Procedures.

DFA-IGS reserves the right to extend the deadline if unusual circumstances require a submission date beyond the scheduled due date.

Mailing address for Independent Accountant's Report, and contact information for assistance:

Arkansas Department of Finance and Administration
Office of Intergovernmental Services

Attn: Assistant Administrator
1515 West 7th Street, Suite 4001
Little Rock, Arkansas 72201
(501)682-1074

C. Attestation Standards

The agreed upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Guidance for the performance of such engagements is found in the AICPA professional standards AT Sections 201 and 601. These Standards define an agreed upon procedures engagement (AUP) as an engagement in which an independent certified public accountant is engaged or hired by a client to issue a report of findings based on specific procedures to be performed on a subject matter. The role of the CPA is to perform procedures (prescribed by DFA-IGS) and to report his or her findings attesting to whether the subject matter (in this case, the grant recipient records) is in agreement with stated criteria. This AUP manual outlines procedures to be performed by the CPA in order to report his or her findings. Distribution of the report is limited to DFA-IGS. DFA-IGS is responsible for the sufficiency of the procedures outlined in this manual.

Under DFA-IGS *new rules of compliance* for the Victims Justice Assistance grants, recipients must hire an independent CPA currently licensed in Arkansas to perform the Agreed Upon Procedures established by DFA-IGS and to prepare an attestation report to be submitted to DFA-IGS four months after the expiration of the recipient's award.

Independent Accountant's Report: Form Requirements

The findings on the Agreed Upon Procedures are to be compiled using the standard ***Independent Accountant's Report Form issued by DFA-IGS. The form has been created*** to ensure that all CPAs are reporting on the procedures as written. CPAs are required to use the exact form provided; retyped forms will not be accepted. Attestation forms for each grant are available online at:

<http://www.dfa.arkansas.gov/offices/intergovernmentalServices/grants/Pages/Resources.aspx>

The professional standards state that "a practitioner should avoid vague or ambiguous language in reporting findings." Examples of inappropriate findings are listed in the standards at Section AT 201.26. Furthermore, the AICPA professional standards in Section AT 201.25, state that the "practitioner should report all findings from the application of the agreed upon procedures." Any reports submitted that do not state the findings for each procedure are considered incomplete. In instances where there are no findings, the CPA must specifically state that there are no findings for the specified procedure.

D. Agreed Upon Procedures Objective

1. The objective of the engagement is to determine the grant recipient's compliance with the following:

- ❖ Recipient's grant contract with DFA-IGS
- ❖ Grant budget, and terms and conditions of the award
- ❖ DFA Subgrant Administration Guide
- ❖ Office of Justice Program's Financial Guide
- ❖ The State's travel policy found at:
<http://www.dfa.arkansas.gov/travel/Pages/default.aspx>
- ❖ The GSA domestic per diem rates regarding lodging, meals and incidentals
<http://www.gsa.gov/portal/category/21287>
- ❖ The Subgrant Entity's internal policies and procedures

Monitoring and Evaluation by DFA-IGS

DFA-IGS will continue to monitor subawards in accordance with its regular procedures in addition to these agreed upon procedures. Additionally, DFA-IGS may conduct extensive examinations of the recipients' operations as deemed necessary for the success of the program.

The Independent Accountant may wish to give consideration to these examinations when testing for compliance. The level of reliance, if any, placed on the procedures and findings from monitoring or examinations are solely at the discretion of the independent accountant.

Sanctions

In case of inability or unwillingness on the part of the subaward recipient to have an agreed upon procedures engagement performed in accordance with these established standards, DFA-IGS may take the following actions as appropriate:

- Withholding some part of the recipient's current award until the AUP engagement is performed;
- Suspending the current subaward until the AUP is submitted; or
- Terminating the subaward to the recipient entity.

Section 2. Victim Justice Assistance Programs Summary

A. Stop Violence Against Women Act (STOP)

Program Description

Federal grant funds are awarded to the State of Arkansas to support projects statewide that develop and strengthen effective law enforcement and prosecution strategies and victim services in cases involving violent crimes against women. Federal legislation requires the State to apply funds within the following five categories: (1) Prosecution; (2) Law Enforcement; (3) Courts; (4) Non-Profit Victim Services, and (5) Discretionary.

Source of Funding

U. S. Department of Justice, Violence Against Women Office

Eligible Program Participants

Nonprofit organizations and judicial, law enforcement, prosecutorial and governmental entities. Examples of eligible participants include, but are not limited to:

- (1) offices of elected prosecuting attorneys and city attorneys responsible for prosecuting adult sexual assault, stalking and/or domestic violence misdemeanors and/or felonies, or organizations that are primarily designed to provide related training to attorneys responsible for prosecuting these crimes;
- (2) law enforcement agencies whose primary responsibility, as established by statute or ordinance, is the enforcement of criminal laws, including adult sexual assault, stalking and/or domestic violence, and whose official scope of duties includes investigation and arrest powers;
- (3) circuit or district courts that have jurisdictional authority over civil and/or criminal cases involving adult sexual assault, domestic violence, stalking and dating violence, or a state agency that routinely performs support services (i.e. research and training) for court officials;
- (4) nonprofit, nongovernmental organizations that assist or initiate a project to assist adult victims of sexual assault, stalking and/or domestic violence; and

(5) agencies/organizations that would not ordinarily qualify for funding under the four prior categories, such as sexual assault trauma units within hospital emergency rooms, batterers' treatment programs and judicial training.

B. Victims of Crime Act (VOCA)

Program Description

Federal grant funds are awarded to the State of Arkansas to support crime victim assistance projects statewide that expand and enhance direct services to victims of crime and provide training and technical assistance to service providers.

Source of Funding

U. S. Department of Justice, Office for Victims of Crime

Eligible Program Participants

Public and nonprofit organizations that provide direct services to crime victims. Examples of eligible participants include, but are not limited to, local victim services organizations, including domestic violence shelters, child abuse programs, rape crisis centers, and law enforcement, prosecutorial and court-based victim assistance programs.

C. Family Violence Prevention and Services Act (FVPSA)

Program Description

Federal grant funds are awarded to the State of Arkansas to support programs and projects statewide that establish and maintain services to prevent family violence and to provide immediate shelter and related assistance for victims of family violence and their dependents.

Source of Funding

U. S. Department of Health and Human Services, Administration for Children and Families

Eligible Program Participants

Local public agencies and nonprofit private organizations (including religious and charitable organizations and voluntary associations). Examples of eligible participants include, but are not limited to, domestic violence shelters and community-based outreach programs that provide victim advocacy and intervention, employment training, prevention services (including school-based prevention projects), parenting skills development and other educational services.

Section 3. Details of Procedures to be Performed

The agreed upon procedures engagement is required to be performed annually. Subgrant recipients will undertake this assessment in lieu of an annual financial audit. VJA subgrant recipients who are required to have performed an OMB A-133 Audit (Single Audit) are exempt from this requirement.

The independent accountant shall test the entity's compliance with the requirements imposed by the Subgrant Award Agreement, DFA Subgrant Administration Guide, program-specific requirements and other administrative requirements as stated in OMB Circulars (see list above) and relevant Federal and State laws.

Subgrant Recipient Responsibilities

Subgrant recipients must provide the following to the Independent Accountant:

- Board of Director's minutes
- Copy of the signed grant award, including approved budget and budget amendments
- Bank records, including canceled checks, for all of the entity's bank accounts
- All policies and procedures manuals including financial, personnel, employee handbook, etc
- Entity's *Year-end Financial Report* and *Final Performance Report*
- Copy of all claims (invoices) submitted to DFA-IGS for reimbursement (or as many as requested by Independent Accountant)
- Copy of *Monitoring Self Assessment Report* as submitted to DFA-IGS
- Documentation related to grant supported travel
- List of the immediate relatives (spouse, children, siblings, nephews, nieces) and a list of outside business interests of all board members and employees
- Annual inventory report
- Personnel and volunteer files
- Employee and volunteer time and attendance records
- List of all employees including name, official position title, job description, salary and whether grant funded
- Employee W-2's and employer 941's
- List of volunteer staff, title and assigned duties, and training record
- Volunteer match summary
- Documentation supporting match
- Transportation/travel log
- Client files
- Policies relating to health insurance and workers compensation
- Any other documents necessary for the performance of these agreed upon procedures

Accountant Recipient Responsibilities

- Perform agreed upon procedures in accordance with the instructions of this manual
- Prepare schedules of actual and budgeted revenues and expenditures for each federal award
- Prepare an Independent Accountant's Report on Applying Agreed Upon Procedures

The primary areas of focus for the agreed upon procedures are as follows:

- a. Conflict of Interest and Nepotism
- b. Budget
- c. Revenue Receipts
- d. Non-Payroll Disbursements
- e. Payroll Disbursements
- e. Accounting and Reporting
- g. Other Compliance
- h. Proof of Match
- i. Final Expenditure Report

A. Conflict of Interest and Nepotism

Procedures to be performed:

(1) Obtain from management a list of the immediate relatives (spouse, children, siblings, nephews, nieces) and a list of outside business interests of all board members and employees.

(2) Obtain from management a list of all employees paid during the period under examination.

(3) Determine whether any of those employees included in the listing obtained from management in Procedure 2 were also included on the listing obtained from management in Procedure 1.

(4) Determine if any financial transactions were made between persons whose names appear in both lists.

(5) Make a list of any related party transactions (such as loans from employees, clients or Board members).

B. Budget

Procedures to be performed:

(1) Obtain a copy of the final approved budget and all amendments, Board minutes and schedule of expenditures from the subgrant entity.

(2) Trace the budget and amendments adoption back to the Board minutes.

(3) Reconcile the amounts in the Schedule of Expenditures to the line item budget categories in the accounting records. Verify proper classification of expenditures.

C. Revenue Receipts

Procedures to be performed:

- (1) Select a sample of recorded receipts to determine if these receipts were properly described and classified in the accounting records.
- (2) Verify receipts are tracked separately by fund source in the accounting records and are not comingled with receipts from other sources of funds.
- (3) Determine if internal controls over the tested receipt transactions were adequate to ensure that receipts are recorded accurately, timely and properly segregated.

D. Non- Payroll Disbursements

- (1) Select a sample of recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records.
- (2) Determine if sample disbursements were paid in accordance with the subgrant agreement, DFA Subgrant Administration Guide, and OMB Circulars listed in Section 1, Part D above.
- (3) Trace selected disbursements back to supporting documentation.
- (4) Determine if internal controls over the tested disbursement transactions were adequate to ensure that the disbursements are accurately and timely recorded and that costs are allowable in accordance with the subgrant agreement, DFA Subgrant Administration Guide, and OMB Circulars listed in Section 1, Part D above.

E. Payroll Disbursements

- (1) Verify payroll disbursements and fringe benefits are properly calculated, described, classified, and distributed in the accounting records for a sample of employees supported by the subgrant.
- (2) Trace payments from accounting records to bank account and to reimbursement claims submitted to DFA-IGS.
- (3) For the same sample, verify the existence of employees, determine if time sheets were signed and authorized for a select number of time sheets and review personnel files to verify that they contain appropriate application, hiring and other documentation in accordance with the entity's internal personnel procedures.

F. Property, Plant and Equipment

Procedures to be performed:

- (1) Review the entity's budget and budget amendments for allowances for equipment purchases.
- (2) Obtain inventory list from management for equipment purchased with grant funds.

(3) Select three items to locate and validate existence and serial number. If entity purchased less than three items, locate and validate the existence of each one.

G. Accounting and Reporting

Procedures to be performed:

(1) Verify receipts and disbursements of subgrant funds are tracked separately in the accounting records by fund source and funds are not comingled with other revenues.

(2) Randomly select twenty-five percent (25%) of the reimbursement claims made during the period under examination and:

- (a) Trace payments to supporting documentation as to proper amount and payee;
- (b) Determine if payments were incurred and paid prior to submission of reimbursement claim;
- (c) Determine whether checks are signed by authorized signers ; and
- (d) Determine if deposits of reimbursed funds were made to the same bank account from which original payment was made.

(3) Determine if bank reconciliations were prepared regularly and signed off on by a Board member.

H. Other Compliance

Procedures to be performed:

(1) Verify entity is current with all payroll tax deposits and required federal and state payroll report filings.

(2) Verify that travel claims submitted to DFA- IGS for reimbursement are within the state and federal limits for mileage and per diem and are supported by source documents for a random selection of travel expense.

(3) Select a sample of volunteer and employee timesheets. Verify by confirmation the existence of those volunteers and employees. Verify timesheets are approved by a supervisor who knows the actual hours that were worked.

(4) Select a random sample of client files and compare to the Final Performance Report.

Verify:

- (a) Non-redundancy in the numbers reported for clients served;
- (b) Reported client data matches client files regarding type of services rendered; and
- (c) Sample of other data reported in the performance report matches entity's records.

(6) Verify that payments for contractual services, if any, are in accordance with the grant contract.

(7) Verify that employer- provided health insurance is paid to the insurance provider in accordance with an insurance policy issued to the Subgrant Entity and is not paid to the employee directly.

(8) Verify that the entity has a workers' compensation policy in effect.

(9) Test a sample of reimbursed costs and determine whether costs were incurred during the grant period and paid prior to submitting to DFA-IGS for reimbursement.

(10) Trace all transfers of funds between bank accounts and determine if purpose of transfer is in accordance with the grant contract.

(11) Determine if matching requirement was met in accordance with the Subgrant Award Agreement. Trace a sample of match records to supporting documentation.

Section 4. Reporting

A. Required Elements

In accordance with attestation standards established by the American Institute of Certified Public Accountants, the accountant's report on agreed upon procedures should be in the form of procedures and findings. Accountants must use the forms provided by DFA-IGS. The form may be accessed online at:

<http://www.dfa.arkansas.gov/offices/intergovernmentalServices/grants/Pages/Resources.aspx>

B. Distribution of the Accountant's Report

The accountant's report should be mailed to the entity's board of directors with a copy to the program's Executive Director and to DFA-IGSs.

Resolution of Findings

DFA-IGS will contact the recipient entity to resolve material weaknesses, noncompliance, and other findings and recommendations listed in the accountant's report. The subgrant entity will be given 30 days to provide a written response to any findings. Findings must be resolved within 90 days of formal notice from DFA-IGS.

Responses to findings shall be mailed to:

Arkansas Department of Finance and Administration

Office of Intergovernmental Services

Attn: Assistant Administrator

1515 West 7th Street, Suite 4001

Little Rock, Arkansas 72201

(501)682-1074

Recordkeeping Requirements

DFA-IGS may at any time review the records related to the compliance testing conducted by the independent CPA. The recipient entity shall maintain all documentation regarding the Agreed Upon Procedures for at least three (3) years after the submission of the *Independent Accountant's Report*.

APPENDIX "A"
SAMPLE REPORT FORM
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To: _____ Chair, Subgrant Entity
_____ Arkansas Department of Finance and Administration, Office of
Intergovernmental Services Victim Justice Assistance Program

We have performed the procedures enumerated below, as specified in the Manual of Agreed Upon Procedures for Arkansas Victim Justice Assistance Grants Programs, solely to assist the specified parties in evaluating _____ Entity's compliance with the *Guidelines and Rules* specified below. Management is responsible for the Entity's compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Conflict of Interest

Procedures Performed:

Findings:

Budget

Procedures Performed:

Findings:

Revenue Receipts

Procedures Performed:

Findings:

Non- Payroll Disbursements
Procedures Performed:

Findings:

Payroll Disbursements
Procedures Performed:

Findings:

Property, Plant and Equipment
Procedures Performed:

Findings:

Accounting and Reporting
Procedures Performed:

Findings:

Other Compliance

Procedures Performed:

Findings:

Proof of Match

Procedures Performed:

Findings:

Final Expenditure Report

Procedures Performed:

Findings:

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

MANUAL FOR PERFORMING AGREED UPON PROCEDURES FOR
ARKANSAS VICTIMS JUSTICE ASSISTANCE PROGRAMS

This report is intended solely for the information and use of
[_____] (entity) and Arkansas Department of
Finance and Administration, Office of Intergovernmental Services and is not intended to be
and should not be used by anyone other than these specified parties.

[*Signature*]

[*Date*]