

OCFP Office of Child and Family Policy	Department of Children and Family Services	
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Approved by:		

Interpretation

Applicable To: Licensed Child Welfare Agencies

Policy Citation: 401.230(g) - The agency shall submit the original financial analysis required by Appendix C of this Part to the authorized licensing worker and a copy to the Central Office of Licensing. The financial analysis shall be submitted to the Department within 180 days after the end of the agency=s fiscal year.

401.Appendix C - Financial Analysis of Child Welfare Agency Operations

A certified public auditor who is not affiliated with the child welfare agency, other than to perform the annual audit required by this Part, shall prepare responses to the following questions about the operations of the child welfare agency for the prior fiscal year and submit them to the Department within 180 days after the end of the agency=s fiscal year. This response shall be signed and dated by the authorized representative of the governing body. When the child welfare agency functions within a larger multi-service agency, the responses to these questions shall be limited to the operation of the child welfare agency.

- 1) Does the agency have an adequate accounting or bookkeeping system which accounts for receipts disbursements, assets and liabilities?
- 2) Does the bookkeeping system include, minimally, a chart of accounts and appropriate accounting journals?
- 3) Has the agency failed to meet any agency payroll in accordance with the specified payroll schedule?

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- 4) Has the agency failed to pay relative caregivers or foster parents in accordance with the established payment schedule?
- 5) Has the agency been delinquent in paying its payroll taxes or other tax liabilities?
- 6) Has the agency defaulted on agency debts?
- 7) Has the agency failed to bill on a timely basis for amounts due to the agency?
- 8) Has the agency failed to collect bad debts? Has the agency had to write-off bad debts?
- 9) Has the agency failed to maintain adequate assets to provide continuous agency operations and provide services such as staff, taxes, rent, utilities, and supplies for a period of at least 30 days?
- 10) Has the agency loaned money to agency employees or members of the board of directors?
- 11) If the agency has a cumulative operating deficit which is not attributable to a planned one-time increase in expenditures, has the agency developed and implemented a corrective plan which has been submitted to the governing body for approval?

If the answer to any of the questions 3 through 11 is Ayes≡, please provide details which explain the Ayes≡ answer, attaching additional sheets as necessary.

Question: If a child welfare agency submits an audit performed in accordance with Generally Accepted Auditing Standards (GAAS) , must the auditor also respond to the questions in 401.Appendix C?

Discussion: An Independent Certified Public Accountant should be able to gather enough information in the course of an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) to reasonably answer all questions in 401.Appendix C with the exception of questions 3, 4, and 9. For these questions, DCFS is granting a one-year grace period; however, it is expected that DCFS will

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receive, at a minimum, an assurance from the auditor on these items, i.e. the review included tests of the accounting records and other auditing procedures considered necessary for the purpose of determining with reasonable, but not absolute, assurance that internal accounting and administrative controls were adequate as they relate to payroll, foster parent payments, and the maintenance of adequate assets.

Response: **An audit performed in accordance with Generally Accepted Auditing Standards shall answer all questions in 401.Appendix C. The following exception will be made for audits for the fiscal year ending in 1998:**

For questions 3, 4, and 9, the auditor shall provide an assurance to the Department that the review included tests of the accounting records and other auditing procedures considered necessary for the purpose of determining with reasonable, but not absolute, assurance that the internal accounting and administrative controls were adequate as they relate to payroll, foster parent payments, and the maintenance of adequate assets.