

Office of Fiscal and Monitoring Services

To: All CDJFS, CSEA, and PCSA Directors

From: Michelle Horn, Deputy Director
Office of Fiscal and Monitoring Services
Monitoring Services Division

Date: November 4, 2009

Subject: County Monitoring Advisory Bulletin 2009-005: Continuous Improvement Plan (CIP) Process

Background

The Auditor of State (AOS) and independent public accountants (IPAs) will shortly be commencing work on OMB Circular A-133 audits of county governments for calendar year 2009. These audits will for the first time address awards by ODJFS to county family services agencies under programs administered by the United States Department of Health and Human Services (HHS) and the United States Department of Labor (DOL).

Federal Grants Management Reviews by the ODJFS Office of Fiscal and Monitoring Services (OFMS) Bureau of Monitoring and Consulting Services (BMCS) have been designed to assist county agencies in preparing for the OMB Circular A-133 audits by identifying areas of risk and providing related recommendations for improvement. It is our goal that every review has a positive result and that observations and recommendations present agency officials with the opportunity to take positive action and to document their efforts to improve.

ODJFS has used various methods to communicate to county management areas of risk identified by these reviews and other monitoring activities of the department. These include individual Technical Assistance (TA) Reports, issued directly to the county agencies in question; Advisory Bulletins targeting specific areas of risk; a compilation of major observations and related recommendations; and presentations at meetings of the various county associations. In response to these activities, many county agencies have undertaken the necessary actions for improvement.

Our current monitoring approach, unlike the previous approach involving formal audits, has not included provisions for formal resolution of monitoring results. However, we have concluded that a more active approach in following up on the results of our monitoring reviews will increase our ability to provide meaningful technical assistance to county agencies in advance of the forthcoming audits.

For this reason, we are establishing a continuous improvement plan (CIP) program. Each TA Report which is issued, including those previously issued to county agencies, will be reviewed

by BMCS staff. Those county agencies with observations which BMCS staff assess as significant to an auditor performing an OMB Circular A-133 audit will be requested to complete and submit a CIP for review and comment by BMCS staff.

Technical assistance in the completion of a CIP will be made available. Within the limits of available resources, additional assistance will be provided during the implementation of the CIP. A CIP will provide agency management with a structured process to document their plan to implement the recommendations in our final report or to take other steps for improvement.

CIP Process

The Federal Grants Management Reviews identify areas of risk and provide related recommendations for improvement action. The CIP process will operate as follows:

1. If a county agency does not have any observations in a preliminary or final TA Report, the agency will not be asked to complete a CIP;
2. If a county agency has previously undergone a Federal Grants Management Review and has received a final TA Report, the report will be reviewed by a BMCS staff member to determine whether the report contains any significant observations. If no significant observations are identified, the county agency management will be notified that they will not be asked to complete a CIP. If significant observations are identified, the BMCS staff member will make arrangements for either an on-site visit or a conference call to discuss the significant observations to be addressed in the CIP, to provide a copy of the CIP template, and to make arrangements for continuing contact for the completion of the CIP.

If the county agency management believe that they have already implemented appropriate improvements to address the significant observations, they will be asked to complete the CIP template to identify the improvements undertaken. The completed CIP will be reviewed and, if it provides reasonable assurance that future actions in the areas in question will be appropriate, county agency management will be notified that no further action will be required.

3. Where county agencies are currently undergoing a Federal Grants Management Review and the preliminary TA Report includes observations which are considered to be significant for purposes of an OMB Circular A-133 audit, BMCS staff will identify to agency management any significant observations in the preliminary report and will discuss the CIP program. The staff member will make arrangements for continuing contact for the completion of the CIP. This may include on-site visits and meetings. BMCS staff will coordinate the CIP process with other ODJFS Offices and units as necessary.
4. If county agency management is of the opinion that no improvement is necessary, they will be expected to prepare a written statement supporting their conclusion. This will be reviewed by ODJFS staff. ODJFS may then consider additional actions as set forth in "Further Actions," below.

Where ODJFS staff are asked to provide technical assistance during the development and implementation of the CIP, their role will be to provide assistance and consulting; they will not supersede the county agency management in their authority and responsibility for management of their federal awards.

The CIP template which we recommend agencies use in development of their CIP is attached. The elements of a CIP, which are discussed separately below, include:

- Identification of Observations to be Addressed
- Determination of Cause
- Identification of Necessary Steps
- Resource Needs
- Implementation Schedule
- Responsible Individuals

Development of a CIP

The recommended steps in the development of a CIP include:

- Identification of Observations to be Addressed – The number of observations included in a TA Report vary. However, not all observations rise to a level of concern justifying the preparation of a CIP. BMCS staff will review the observations in each preliminary or final TA Report and will identify those items which, in our assessment, would be of significant concern to an auditor performing the county’s OMB Circular A-133 audit.
- Determination of Cause – For each observation for which a CIP is necessary, the first step is to identify the root cause of the issue. In some instances, the underlying cause may appear obvious or is identified in the observation. However, analysis often reveals that the apparent root cause is not the actual cause. Agency management will be expected to review the circumstances of the issue with the following questions in mind:
 - Were management and staff aware of the variance between existing policies and procedures and the appropriate policies and procedures? In light of the significant changes which have occurred in expectations as to federal grants management, many individuals in responsible positions may have merely been unaware of the relevant federal and state requirements. If the relevant issue is a matter of legal compliance, such as the state requirements for the interfund transfer of cash, was staff aware of the applicable legal requirements?
 - Did management and staff not possess the necessary knowledge, skills and abilities to perform appropriately? Staff may have been aware of the underlying requirement, but lacking in the necessary technical knowledge, skills and abilities to perform effectively.

- Without regard to issues of awareness and knowledge, skills and abilities, did the management and staff involved have the necessary resources to perform effectively? Were there sufficient personnel to perform the required tasks? Did they have the necessary tools and equipment to perform up to expectation? Were the systems and processes in place sufficient for proper performance?
- Identification of Necessary Steps – After the relevant observations have been identified and the underlying cause determined, it is necessary to identify the required steps to develop and implement actions for improvement.

If a lack of awareness of the applicable requirements was the underlying cause, the action for improvement should include a review of previous internal communications to ensure that the staff involved are made aware of the requirements and of the necessary policies and procedures for compliance. This may require the concurrent development of revised policies, procedures and internal controls to provide reasonable assurance that future actions in the area in question will be appropriate.

If a lack of required knowledge, skills, or abilities by staff was the underlying cause, action for improvement should include a review of the knowledge, skills and abilities of staff hired or promoted into the relevant positions. Should the relevant job requirements be modified? Can the knowledge gap be addressed by additional training? What relevant training is available?

This requires the development of effective policies, procedures and internal controls to bring performance in accordance with standards; identification of any necessary training, organizational or staffing changes; and determination of any additional resources necessary to develop, implement and sustain the necessary changes to prevent a recurrence.

- Resource Needs – Agency management must enumerate the additional resources needed to effect the planned actions for improvement. These may include, but are not limited to, additional personnel, training and technical assistance, equipment, materials, etc.
- Implementation Schedule – Once the relevant observations have been identified, the underlying cause for each issue determined, the required steps selected, and resource needs determined, an implementation schedule must be developed, listing each significant step in the appropriate order, each with specific completion dates and with a final date for the completion of the actions for improvement.
- Identification of Responsible Individuals – For each observation and recommendation addressed by the continuous improvement plan, an individual must be identified with the necessary authority and responsibility for overseeing the successful implementation of the actions for improvement.

Although these steps are presented here in a linear manner, they are interrelated and should be considered as a whole in developing the CIP.

Further Actions

The implementation of the CIP process is a further development in the role of ODJFS in providing monitoring and technical assistance to county agencies, as required by OMB Circular A-133. If county agency management's participation and support of the CIP process is insufficient to provide reasonable assurance of remedying observations identified in the department's Federal Grants Management Review and other monitoring activities, consideration will be given to requiring a formal corrective action plan in accordance with Section 5101.24 (B) and (C), Revised Code.

Consulting Services Requests:

The BMCS has established a GroupWise e-mail account for questions related to technical issues. Questions may be submitted through the GroupWise system to BMCS_INQUIRIES or through the Internet to BMCS_INQUIRIES@jfs.ohio.gov.

The e-mail account will be checked frequently for new inquiries. Within the limits of our resources, we will respond to you as quickly as possible. Any inquiries which are appropriate to another ODJFS Office or Bureau will be forwarded to that department.

c: ODJFS Director's Office
ODJFS Senior Staff
Associations

Continuous Improvement Plan
[on official stationery]

For each significant observation and recommendation included in the Technical Assistance Report, the following is our improvement(s) taken or proposed. For significant observations where improvement has not been taken or proposed, attachments set forth our basis for not taking or proposing improvement:

1. Observation/Recommendation:

Provide the observation/recommendation as it appears in the Technical Assistance report.

2. Underlying Cause:

The implementation plan should identify the underlying cause of the issue resulting in the observation and recommendation and the basis for your conclusion.

3. Implementation Steps:

Provide the necessary steps in the improvement undertaken or to be undertaken

4. Resource Needs:

Identify the additional resources (personnel, training, equipment, materials, etc.) for the needed improvements undertaken or to be undertaken

5. Implementation Schedule:

Identify the planned completion date for each step in the implementation schedule for final completion of the improvement. If all steps in improvement are believed to have been completed, provide the actual completion date for each step in the implementation schedule for final completion of the improvement.

6. Person Responsible for Implementation:

Indicate the individuals responsible for each required action to effect the planned or actual improvements.

Signed:

Name
Agency Director

Date