

Contract Compliance and Performance Monitoring Standards and Procedures

Management Directive 24-01

Overview

This Management Directive provides an overview of the new mandatory Contract Compliance and Performance Monitoring Protocol (Protocol) for all contracts, agreements, and Memorandums of Understanding (as applicable) within the Department of Children and Family Services (DCFS). The purpose of the new Protocol is to ensure that contractors and contracted providers deliver quality services and support in accordance with the contract terms and conditions and Statement of Work, applicable laws, policies, standards and procedures.

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POLICY

On September 20 2022, the Auditor-Controller (A-C) conducted a review of DCFS' contract monitoring procedures and provided the results to the Board of Supervisors (BOS). The review identified opportunities to improve DCFS' contract

compliance monitoring processes and controls and provided recommendations for corrective action. As a result, the Department of Children and Family Services (DCFS) has revised its Contract Compliance and Performance Monitoring Protocol (Protocol) and has made its utilization mandatory for all sections responsible for monitoring contracts within DCFS. The updated Protocol addresses all of the findings and A-C's recommended corrective actions, as well as contract monitoring requirements and standards in Board Policy, the County Fiscal Manual (CFM), the Code of Federal Regulations (2 CFR), and applicable California Department of Social Services regulation and requirements.

Applicable To

This MD applies to all DCFS employees involved with the program management and monitoring of contracts (also known as Program Directors and Managers or contract compliance monitors or administrators).

Operational Impact

DCFS must ensure that all contracts are efficiently and effectively monitored for compliance in accordance with applicable federal, State, and County requirements by reviewing developing, updating, documenting, and reporting:

- The annual Department-wide Contract Monitoring Plan based on risk.
- Tools for all types of compliance monitoring reviews.
- The results of all compliance monitoring reviews to all appropriate stakeholders.
- Standardized timeframes for DCFS contractors to implement requested corrective action.
- Standardized timeframes for DCFS to conduct follow-up reviews to assess contractors' implementation of requested corrective action.
- A standardized process for tracking and monitoring the implementation status of corrective action requested during compliance monitoring reviews.
- DCFS' written contract compliance monitoring standards and procedures.
- Departmental contract compliance monitoring training standard requirements.
- An ongoing self-monitoring process that is consistently adhered to by all DCFS sections who conduct contract compliance monitoring.

Roles and Responsibilities

DCFS Contracts Administration Division staff, Division Program Managers, and Contract Program Monitors are responsible for following the roles and responsibilities identified in the [Contract Monitoring Protocol](#).

Flowchart for Contract Compliance Monitoring Process

Refer to the flowchart in the attached Protocol for a visual representation of the [Contract Compliance Monitoring Process](#).

PROCEDURE

Developing a Risk-based Compliance Monitoring Plan

Board of Supervisors (Board) Policy 4.051 requires departments to develop annual department-wide contract monitoring plans based on risk. 2 CFR §200.332 requires pass-through entities to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. DCFS' required process for developing the annual plan and for modifying the scope, depth, and frequency of the reviews based on risk is located in the [Developing a Risk-based Compliance Monitoring Plan](#) section of the Protocol.

Development of Compliance Monitoring Tools

DCFS must ensure compliance monitoring tools are appropriately developed, updated, reviewed, and authorized for use by upper Departmental management (or designee) for all types of monitoring reviews, as required by CFM Sections 12.5.1 and 12.5.2. Details for developing and using monitoring tools are in the [Development of Compliance Monitoring Tools](#) section of the Protocol.

Priority Rankings

DCFS staff must assign priority rankings to areas of non-compliance in order to highlight the relative importance of some findings/recommendations over others, and assist Contractor management in prioritizing corrective actions. Priority rankings are based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Details for assigning priority rankings are in the Protocol under the [Priority Rankings](#) section.

Documenting and Reporting

DCFS personnel with contract monitoring duties are responsible for following the processes in the attached Protocol for documenting compliance monitoring reviews and reporting results to the appropriate stakeholders.

The Protocol contains guidelines designed to assist Program Managers to document and report the results of contract compliance monitoring reviews. The

Protocol also includes samples or templates that Program Managers can use to develop memos, emails, reports, and corrective action requests, as well as document their follow-up efforts to assess the Contractor's implementation of requested corrective action.

Based on reviews and analyses of the monitoring data, regular reports are to be provided to the contractor indicating strengths and potential weaknesses of contractor performance along with a plan for implementing corrective action. Notification of unsatisfactory performance should occur as promptly as possible, should be in writing, and should require contractor response and timely correction of findings.

Written reports should be shared with appropriate stakeholders, such as all DCFS Executive Management, County Contractors, executive Departmental management (DCFS Exec Ops) other DCFS sections, other County Departments, and/or the Board when necessary. Contract monitors must also assign priority rankings to findings/recommendation based on guidance provided by the Auditor-Controller.

Verification

Per Code of Federal Regulations- 2CFR § 200.332: The following information must be checked and verified with each program monitoring tool report (Much of this information can be found on the CEO Monthly Tracking Report and within the Master Contract for each individual Program):

- Contractor's Corporate Name
- Contractor's EIN or Tax ID Number (Ask Contract Analyst per CEO Monthly Tracking Report)
- Federal Award Identification Number (FAIN) (This can be found under Mandatory Requirement to Register on Federal System for Award Management in the Master Contract, or in the Annual Fund Monitoring Responsibilities issued each June by the California Department of Social Services, Systems of Care (County Fiscal Letters (CFLs))
- Contract Start Date (from CEO Monthly Tracking Report)
- Contract Expiration Date (from CEO Monthly Tracking Report)
- Total Contract Amount (from CEO Monthly Tracking Report)
- Description of contracted service to be delivered to DCFS (can be found under Description of Services in the County (DCFS) Contract)
- Name of the Federal awarding agency, pass-through entity (DCFS), and contact information for awarding official of the contractor (from the CEO Monthly Report)
- Assistance Listings number and title (from the first page of the Master Contract for each program). Identify the dollar amount made available under each award

{from the CEO Monthly Report}

- All requirements imposed by the contract to insure compliance with all federal regulations (From your Master Contract and Statement of Work)
- All requirements imposed by DCFS on the contractor so that the Federal award is used in accordance with Federal statues, regulation and the terms and condition of the Federal award (from the Contract Compliance and Performance Monitoring and Review section of your Master Contract and from the Performance Outcome Goals and Requirements Summary of your Statement of Work). This would include any Plan of Operation or Program Statement, Federal or State approval letters, Board Motion Directives, System Improvement Plan (SIP), County of Departmental Strategic Plans or Board of Supervisors Priorities.

Details on documenting and reporting monitoring results and assigning priority rankings to findings/recommendations are in the Protocol under the [Documenting and Reporting](#) section.

Corrective Action Plan (CAP) Follow-Up

The Department must follow a standardized process for tracking and monitoring the contractor's implementation status of corrective action requested during a compliance monitoring review, as required by Board Policy 5.040 and CFM Sections 12.5.1 and 12.5.2. See the following link for the [CAP Follow-up](#) section of the Protocol.

Addressing Contractor Non-Compliance

If a Program determines that a contractor's non-compliance is significant enough, the Department should notify the Board of Supervisors (Board), and obtain a corrective action plan from the contractor addressing the noted deficiencies.

For examples of significant non-compliance issues, refer to the Contractor Alert Reporting Database (CARD) placement criteria indicated in the CARD Manual. If improvement does not occur consistent with the corrective action plan, a department may seek the appropriate contractual remedies, such as:

- Withhold payments for work not performed; (if allowable by funding source for contracted services)
- Place the contractor in CARD; (requires consultation with County Counsel)
- Request Board approval to terminate the contract;
- Initiate debarment proceedings against the contractor.

For more details, please refer to [DCFS Management Directive \(MD\) 12-02 Contractor Alert Reporting Database \(CARD\)](#).

Training Requirements

All staff who perform or supervise contract monitoring must complete all mandatory trainings listed in the Protocol within one year of assignment to the contract monitoring function. Procedures for identifying applicable staff and a list of the mandatory trainings are listed in the Protocol under the [Training Requirements section](#).

Management Monitoring of Controls

DCFS management must perform ongoing self-monitoring processes to regularly evaluate and document that the required contract monitoring processes and controls are working as intended, and ensure they are consistently adhered to by all DCFS sections with monitoring responsibilities, as required by CFM Section 1.0.2.

Details of management's responsibilities for monitoring controls over contract monitoring are in the Protocol under section [Management Monitoring of Controls](#).

Record Retention

All contract compliance monitoring records **must** be retained for at least 7 years.

As the Contract Monitoring Reporting System (CMRS) is expanded, all compliance and performance monitoring reviews and reports will be completed and retained using modules in the CMRS.

Sunset Review Date: 5/31/2028

HELPFUL LINKS

Attachments

[Contract Monitoring Protocol](#)

[Contract Compliance Monitoring Process Flow Chart](#)

References, Regulations, and Policies

[DCFS Management Directive \(MD\) 10-03](#) Procedures for Adding A New Placement Services Contractor or Updating an Existing Placement Services

Contractor, and Non- Contracted Placement Services

[DCFS Management Director \(MD\) 12-02](#) Contractor Alert Reporting Database (CARD)

Auditor-Controller Report – [DCFS Contract Monitoring Operations Review](#)

[Board Policy 4.051 - Annual Submission of Departmental Risk Based Audit and Contract Monitoring Plans to the Auditor-Controller](#)

[Board Policy 4.055 - Audits and Contract Monitoring Reviews Conducted by Entities Other Than the Auditor-Controller](#)

[Board Policy 5.040 - Contractor Performance Monitoring](#)

[Board Policy 5.065 - Nonprofit Contractor Requirements](#)

[Board Policy 5.150 - Oversight of Information Technology Contractors and Retention of Outside Legal Counsel for County Information Technology Solicitations and Contracts](#) (applies to contracts for Information Technology Services)

[Board Policy 5.200 - Contractor Protection of County Electronically Stored Information](#)

[Board Policy 5.260 - Contractors with Unresolved Disallowed Costs](#)

California Department of Social Services Management and Office Procedures
Purchase of Service:

[23-604 Contract Provisions-.38 \(a\)\(b\) page 301](#)

[23-604 Contract Provisions .1- page 324](#)

[County Fiscal Manual \(CFM\)](#) - Section 12.5.0 Contract Monitoring