

STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES

SUBJECT: Pre-Award Survey

EFFECTIVE: This policy circular shall become effective July 1, 1988, and shall be implemented immediately.

PROMULGATED: July 1, 1988

SUPERSEDES: Policy Circular P7.05, promulgated July 1, 1985.

The purpose of this circular is to inform Department personnel and Provider Agencies of the policies and procedures concerning a Pre-Award Survey.

I. SCOPE

This policy circular applies to all Provider Agencies.

II. DEFINITIONS

In addition to defined terms included in the Glossary of the Manual, the following terms, when capitalized, shall have meaning as stated:

Conditional Contract means a Contract between the Department and Provider Agency, during which time special terms or conditions specified in the Contract must be met by the Provider Agency, in accordance with specified time frames.

Pre-Award Survey (also Survey) means a review to determine the adequacy of the financial management system of a potential or current Provider Agency, prior to the issuance of a new or successor Contract with that Provider Agency.

III. POLICY

- A. The Department is responsible for determining the need for a Pre-Award Survey. A Pre-Award Survey must be conducted in accordance with Attachment A of this circular.
- B. In general, a Pre-Award Survey will be conducted if:
1. the Department of Human Services has not contracted with the Provider Agency in the past two years;
 2. the Provider Agency has exhibited problems in reporting financial or program data as required by a current or former Contract; or

3. the Provider Agency has demonstrated an inability to meet federal or State requirements of a current or former Contract.
- C. In those cases in which a Pre-Award Survey cannot be performed prior to the award or renewal of a Contract due to the need for timely execution of the Contract, the Department may issue a Conditional Contract. The terms of the Conditional Contract shall include satisfactory compliance by the Provider Agency with the recommendations based on the Pre-Award Survey. The Survey should be conducted during the period of the Conditional Contract. If inadequacies exist, an improvement plan shall be required as a prerequisite to continued funding.
 - D. There are situations where the type and magnitude of the Provider Agency's operations are such that a pre-award desk review of the most recent audited financial statements may be made in lieu of an on-site survey with approval of the manager/supervisor of the Departmental Component's contracting unit.

IV. PROCEDURES

A. Responsibility of the Provider Agency

The Provider Agency is responsible for full, complete and accurate disclosure of any information requested in order for the Pre-Award Survey to be completed in a timely, accurate manner.

B. Responsibilities of the Department

1. During initial Contract negotiations, the Department shall:
 - a. determine if the potential Provider Agency contracts with another unit within the Department of Human Services. If yes, request the Contract Policy and Management Unit to confirm the Provider Agency's contract status within the Department.
 - b. request the Office of Auditing to ascertain if an audit report and/or previous Pre-Award Survey of the Provider Agency is on file. The Department shall review such reports in determining the need for a current Pre-Award Survey.
 - c. determine if a Pre-Award Survey is required according to criteria stipulated in Paragraph III.B of this circular and so advise the Office of Auditing.

2. If a Pre-Award Survey is not required, Contract negotiations shall proceed.
3. If a Pre-Award Survey is required, the Departmental Component and the Office of Auditing shall determine in consultation which one will conduct the Survey.
4. Copies of the completed Pre-Award Survey shall be forwarded to the appropriate Departmental Component, and the Department's Office of Auditing.

C. Utilization of the Pre-Award Survey by the Department

1. Contract negotiations may proceed when the results of the Pre-Award Survey indicate that the Provider Agency has an adequate financial management system.
2. Should the results of the Pre-Award Survey indicate deficiencies in the Provider Agency's financial management system, the Departmental Component shall either:
 - a. proceed with Contract negotiations and develop a plan, including timetables and deadlines, to improve the Provider Agency's financial management system. In such cases, the Departmental Component will prepare a Conditional Contract with the Provider Agency to include compliance with this plan as a condition of the Contract; or
 - b. determine that the deficiencies are of such a nature that Contract negotiations should be discontinued and the proposed contract rejected. In such cases, the Departmental Component shall notify the Office of Auditing and the Provider Agency of this decision.
3. Should the deficiencies in the Pre-Award Survey cause disagreement among the Departmental Components with regard to contracting with the Provider Agency, the issue shall be resolved jointly by the Departmental Components and the Contract Policy and Management Unit.

Issued by:


Robert D. Punetti, Director
Office of Planning and Policy


Samuel F. Penza
Assistant Commissioner
Department of Human Services

DEPARTMENT OF HUMAN SERVICES
PRE-AWARD SURVEY

1. Agency _____ Proposed _____
2. Address _____ Contract Period _____
_____ Contract Funding \$ _____
3. Telephone Number _____ Contract Number(s) _____
(if applicable) _____
4. Director _____ Federal I.D. # _____
5. Name and title of Provider Agency's contact person:

6. List of books and records maintained by the Provider Agency:
 - a. _____
 - b. _____
 - c. _____
 - d. _____
 - e. _____
 - f. _____
7. a. If the Provider Agency sponsors more than one program and/or receives funds from more than one source, do accounting records properly separate and identify various funding sources and related disbursements? If not, briefly explain the method of accounting for various funding sources and programs in the accounting records and budget documents.

- b. Is the financial and other data reported to other State and federal governmental agencies consistent with that reported to the Department?

8. a. Is an indirect cost rate or cost allocation plan utilized by the Provider Agency?

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- b. Has the rate or plan been approved by a recognized authority?
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Explain method of accounting for indirect cost and attach (approved) copies of computation of indirect cost rate, or cost allocation plan, if available.

- 9. Are accounting records maintained? _____

- a. On premises by an internal accounting staff? _____

- b. Off premises by an employee? _____

Name: _____ Address: _____

- c. Off premises by an outside accountant retained as a consultant? _____

Name: _____ Address: _____

Yes No Not
Applicable

- 10. Does the Provider Agency have the following:

- a. New Jersey Non-Profit Corporate Registration _____

- b. New Jersey Sales Tax Exemption Certificate _____

- c. Tax Exempt Status determination from IRS _____

Yes No Not
Applicable

11. Does the Provider Agency have an approved operating license as required? If not, please explain.

12. Has the Provider Agency undergone annual audits for the past three years?

If so, by whom? and when?
Obtain and analyze a copy of latest audit report.

13. Are all employees who handle cash, securities, and other valuables bonded? If yes, what is amount of bond.

\$ _____

14. Has a determination been made by the N.J. Department of Law and Public Safety regarding the Provider Agency's requirement to file charities registration data with the N.J. Attorney General in compliance with the Charitable Fund Raising Act of 1971 (Amended)?

a. If so, determine the current status of the Provider Agency's compliance by contacting the N.J. Department of Law and Public Safety, Charities Registration Section.

Comments

b. Obtain a copy of latest report filed with Charities Registration

	<u>Yes</u>	<u>No</u>	<u>Not Applicable</u>
15. Does the Provider Agency have formal procedures for:			
a. Cash receipts	_____	_____	_____
b. Petty Cash	_____	_____	_____
c. Fixed asset records (Policy Circular <u>P4.05</u>)	_____	_____	_____
d. Notes/accounts payable	_____	_____	_____
e. Purchases and expenses	_____	_____	_____
f. Payroll and personnel (to include "Time Sheet" requirements)	_____	_____	_____
g. Client attendance and eligibility (if applicable)	_____	_____	_____
Obtain a copy of the above procedures and documents used to implement these procedures, and determine if there is adequate segregation of duties.	_____	_____	_____
16. Are Board meetings scheduled on a regular basis? Obtain a list of current Board members.	_____	_____	_____
17. Does the Provider Agency have written policies in accordance with the Department's <u>Contract Policy and Information Manual</u> addressing:			
a. Nepotism (Policy Circular <u>P8.05</u>)	_____	_____	_____
b. Conflict of Interest (Policy Circular <u>P8.05</u>)	_____	_____	_____
c. Non-discrimination (Policy Circular <u>P8.10</u>)	_____	_____	_____

18. Does the Provider Agency currently have or anticipate any type of litigation or appeal process which might impact upon its financial condition?

Yes

No

Not
Applicable

19. Have all payroll tax deductions been deposited in a timely manner?

20. Have all payments for employee benefit plans been made in a timely manner?

CONCLUSION:

As a result of our _____ examination of the books and records of the _____ (date), it is our opinion that this (Provider Agency) agency (is, is not) financially viable and fiscally capable of performing under contract with the State of New Jersey.

Signature, Name and Departmental Component of person performing the review

(Signature)

(Name)

(Departmental Component)

(Date)

(Phone No.)

Signature of Appropriate Departmental Component Contract Manager/Supervisor

Date: _____