




Policy Title: <b>Contract Compliance Monitoring</b>	Effective Date: <b>07/01/2025</b>
Department/Issuing Agency: <b>Department of Community and Human Services (DCHS)</b>	
Departmental Approval: 	

1.0 PURPOSE:

To establish uniform practices across DCHS for Contract Compliance Monitoring. This Contract Compliance Monitoring policy supersedes other DCHS Compliance monitoring policies. This policy aims to clarify DCHS' approach to Contract Monitoring and ensuring Compliance with Contracts, to ensure they are achieving their intended purpose.

2.0 ORGANIZATIONS AFFECTED:

Applicable to all divisions and sections within DCHS.

3.0 REFERENCES:

- 3.1 King County DCHS Contract boilerplate language
- 3.2 [RCW 43.09.185 – Loss of Public Funds – Illegal Activity – Report to State Auditor's Office](#)
- 3.3 [King County Department of Community and Human Services Procedures for Responding to and Reporting Accidents, Injuries, and Property Loss, Theft or Damage \(2013\)](#)
- 3.4 [U.S. Office of Management and Budget "Grants and Agreements" Title 2 CFR 200](#)
- 3.5 [King County Policy FIN-15-6-EP Reporting and Investigating Fraud, Losses, or Other Illegal Acts](#)
- 3.6 Other Washington State and Federal Contract requirements

4.0 DEFINITIONS:

- 4.1 "Abuse" is excessive or improper use of a thing, position, or other resource or to use something in a manner contrary to the natural or legal rules for its use. Abuse can occur in financial or non-financial settings.
- 4.2 "Compliance" is Subrecipient adherence to Contract and exhibit terms and conditions.

- 4.3 “Contract” is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing.
- 4.4 “Contract Management” is an ongoing responsibility of DCHS staff to perform routine checks to ensure funds are being used in a manner consistent with contractual terms and conditions.
- 4.5 “Contract Monitoring” or “Contract Compliance Monitoring” are time-bound activities where DCHS staff review documentation to evaluate the Subrecipient’s compliance with contractual terms and conditions.
- 4.6 “Desk Review” is a detailed review of Subrecipient invoices and their supporting documentation (for example: detailed general ledger, all receipts, timesheets, or payroll transactions).
- 4.7 “Fraud” is the wrongful or criminal deception intended to result in financial or personal gain. This includes false representation of fact, making false statements, or concealment of information.
- 4.8 “Pass Through Entity” means a recipient that provides a subaward to a subrecipient (including lower tier subrecipients) to carry out a program or part of a program.
- 4.9 “Risk Assessment” is an evaluation of a Subrecipient’s risk of noncompliance with Federal, State, or Local regulations and terms and conditions in the Contract.
- 4.10 “Remote Site Visit” is a focused, virtual review for the purpose of evaluating programmatic and/or fiscal components related to a subaward Contract.
- 4.11 “Site Visit” is a focused, onsite review for the purpose of evaluating programmatic and/or fiscal components related to a subaward Contract.
- 4.12 “Subrecipient” is an entity that receives a subaward from a pass-through entity to carry out part of a Federal, State, or Local award; but does not include an individual that is a beneficiary of such award. King County is the recipient of various funding sources, and contracts with Subrecipients.
- 4.13 “Technical Assistance” is targeted support to achieve Compliance in a specific area.
- 4.14 “Waste” is the thoughtless or careless expenditure, mismanagement, or Abuse of resources to the detriment (or potential detriment) of the County. Waste also includes incurring unnecessary costs resulting from inefficient or ineffective practices, systems, or controls.

## 5.0 POLICIES:

### **5.1 Risk Assessments**

- 5.1.1 An internal Risk Assessment shall be performed annually for all Subrecipient agencies by a member of DCHS' Compliance Team or authorized representative.
- 5.1.2 Each Risk Assessment includes analysis of the Subrecipient's grant management experience, external audit reports, grant/program monitoring reports, management systems, personnel, internal controls, and fiscal considerations.
- 5.1.3 The Finance and Grants Compliance Officer or Compliance Manager will create a Risk Assessment tracker that includes all Subrecipient agencies that received payment from the DCHS in the previous fiscal year.
- 5.1.4 Any waivers for Risk Assessments listed on the Risk Assessment tracker must be recommended by the DCHS Finance and Grants Compliance Officer or Compliance Manager and approved by the Chief Financial Operating Officer (CFOO), Department Deputy Director, or the Department Director. Alternatively, the CFOO may recommend a waiver directly to the Deputy Director or Director.
- 5.1.5 The Subrecipient Monitoring Risk Assessment is completed through analysis of available information, including but not limited to:
  - 5.1.5.1 Subrecipient Questionnaire(s), which include the following components:
    - 5.1.5.1.1 Financial Statements
    - 5.1.5.1.2 Results of previous program and fiscal monitoring
    - 5.1.5.1.3 Results of independent audits, Single Audits, non-DCHS program and fiscal monitoring
  - 5.1.5.2 Funding sources' regulations and funder terms and conditions
  - 5.1.5.3 Specific, objective input from department staff familiar with the Agency being assessed
- 5.1.6 Each Risk Assessment is reviewed and approved by the Finance and Grants Compliance Officer, Compliance Manager, or designee.
  - 5.1.6.1 A Subrecipient with an assessed risk level of High may trigger prioritization of site visit(s)

### **5.2 Monitoring**

- 5.2.1 The monitoring process is intended to obtain reasonable assurance of Contract Compliance and is part of the prevention and detection of Fraud, Waste, and Abuse. It is also intended to help identify areas where DCHS can offer Subrecipients with additional support in order to comply with contract requirements.
- 5.2.2 All Subrecipients receive an in-person or Remote Site Visit to monitor their programmatic and fiscal operations a minimum of every three years

unless stricter timelines are imposed by a funding agency, a division within DCHS, or an exception is granted by an appropriate level of management. This is in addition to relevant DCHS staff continuously performing Contract Management, which includes activities like reviewing performance data, other deliverables, and invoices with supporting documentation prior to approval.

- 5.2.3 Contract Monitoring may be conducted in a variety of ways dependent on funding, agency requirements, the assessed level of risk in Contracting with the Agency from the Risk Assessment, or other supplementary tools.

- 5.2.2.1 Types of Contract Monitoring may include Desk Review, a Site Visit, a Remote Site Visit, Technical Assistance as defined in this policy, etc.

- 5.2.3 Subrecipients shall be notified at least 30 days in advance of the in person or Remote Site Visit. Exceptions to this timeline may be granted on an as needed basis and must be approved in advance by the CFOO, Finance and Grants Compliance Officer, or division designee.

- 5.2.4 The Department shall send Site Visit result letters within 60 days of the fiscal and/or program Site Visit, or the receipt of all requested supporting documents, whichever is later.

- 5.2.4.1 For fiscal Site Visits, Subrecipients shall have 30 business days to provide a corrective action plan (if required by the results letter) in writing to the Finance & Grants Compliance Officer or designee.

- 5.2.4.2 For program Site Visits, Subrecipients shall have no more than 60 days to provide an official response regarding how the Subrecipient will or has addressed any findings or exit items raised in the program monitoring Site Visit results letter.

- 5.2.5 For fiscal Site Visits, a corrective action plan will receive a department response within 30 days after receipt. An acceptance letter signed by the CFOO, Finance & Grants Compliance Officer, or Compliance Manager will be issued once the response by the Subrecipient is deemed sufficient to address any findings or exit items.

- 5.2.6 For program Site Visits, subrecipients will receive a department response to their official response within 60 days. A close out letter signed by the division designee will be issued once the response by the Subrecipient is deemed sufficient to address any findings or exit items.

- 5.2.7 *Fiscal Monitoring Overview:*

- 5.2.7.1 A fiscal monitoring Site Visit includes an internal controls discussion with Agency finance staff, review of Agency policies and procedures, and completion of the fiscal monitoring tool which includes the review of the Agency's general ledger and may include review of source documentation.

- 5.2.7.2 The Finance and Grants Compliance Officer, Compliance Manager, or designee, will develop the fiscal monitoring schedule annually in consultation with department staff.
- 5.2.7.3 The fiscal monitoring schedule shall consider minimum monitoring frequency requirements, funder restrictions, Risk Assessment designations (high, medium, and low).
- 5.2.8 Once a fiscal monitoring Site Visit is scheduled with the Agency, the DCHS Compliance Team, or its designee, will issue an Intent to Monitor Letter.
  - 5.2.8.1 Fiscal monitoring may be completed in conjunction with program monitoring or separately.
- 5.2.9 *Program Monitoring Overview:*
  - 5.2.9.1 A program monitoring Site Visit includes an interview with Agency program staff, review of applicable Agency policies procedures, board minutes, other relevant documents, and client file review (when applicable).
    - 5.2.9.1.1 DCHS staff will document program monitoring Site Visits
  - 5.2.9.2 Each division within DCHS will develop an annual program monitoring schedule annually.
    - 5.2.9.2.1 To reduce the administrative burden on contracted providers, prior to scheduling a site visit, division designees will notify all DCHS divisions, in addition to the Finance and Grants Compliance Officer or Compliance Manager, to coordinate monitoring efforts whenever feasible.
    - 5.2.9.2.2 The program monitoring schedule shall consider minimum monitoring frequency requirements, funder restrictions, Risk Assessment designations (high, medium, and low).
  - 5.2.9.3 Once a program monitoring Site Visit is scheduled with the Agency, the Program Manager will issue a program monitoring notification.

### **5.3 Concerns or Complaints regarding suspected Fraud, Waste, or Abuse**

- 5.3.1 When DCHS receives a complaint regarding suspected Fraud, Waste, or Abuse from an individual, as good stewards of public funds, DCHS will assess the complaint in the context of the annual internal Risk Assessment and will investigate accordingly. Investigative activities could include conducting a program monitoring and/or fiscal monitoring visit to the agency in question, or an investigation by a third-party hired by DCHS, to be determined based on DCHS staff capacity and severity of the accusations.

- 5.3.2 When the party submitting the claim is not anonymous, DCHS will follow up with them within ten business days of receipt of the complaint by the Finance and Grants Compliance Officer, Compliance Manager, or Chief Financial Operating Officer, to schedule an intake.
- 5.3.3 Within ten business days of receipt of a complaint by the Finance and Grants Compliance Officer or Compliance Manager, the Finance and Grants Compliance Officer, Compliance Manager, or designee, will notify the Department Director, Deputy Department Director, Chief Financial Operating Officer and relevant Division Directors in writing about the complaint, an initial assessment, if applicable, and the steps being taken to investigate or respond to it.
- 5.3.4 Program monitoring and fiscal monitoring visits conducted in response to complaints, if warranted, will be prioritized and initiated as soon as possible.
- 5.3.5 If DCHS will be conducting the investigation, DCHS will follow up with the agency in question within one week of a complaint being received by the Finance and Grants Compliance Officer or Compliance Manager. If a third-party is performing the investigation on behalf of DCHS, DCHS will follow up with the agency in question as soon as possible following DCHS contracting with the third-party.

#### **5.4 Financial Statement Audit Review**

- 5.4.1 Per DCHS' standard Contract terms and conditions, Subrecipients are required to submit a financial reporting package. Exceptions may be granted on an as needed basis by the CFOO, Deputy Department Director, or Department Director.
- 5.4.2 Financial reporting packages are reviewed by a member of the DCHS Compliance Team or authorized representative within 14 business days of acknowledged receipt from the Subrecipient and are saved in a centralized location accessible to all DCHS staff.
- 5.4.3 If the Subrecipient agency is required to obtain a single audit, per 2 CFR 200.501, the DCHS Compliance Team or authorized representative will review it and will notify division staff of any relevant audit findings within 14 business days of acknowledged receipt. The Finance and Grants Compliance Officer will issue a management decision letter, if needed.

#### **5.5 Concerns Escalation and Reporting Protocol**

- 5.5.1 Concerns may be identified during any of the activities outlined above, or in the course of ongoing Contract Management activities.
- 5.5.2 DCHS staff are expected to follow the current Concerns Escalation and Reporting Protocol, which is published internally, in responding to any concerns. This includes notifying staff per the following Escalation Pathways Table.

## 6.0 APPENDIX:

### 6.1 Draft Escalation Pathways Table, current as of June 3, 2025:

Concern Level	Definition	Recommended Actions	First Point of Contact	Further Escalation if Necessary	Required Timeframe
<b>Continuous Quality Improvement</b>	A proactive process of collaborating with agencies to address and correct issues before they escalate into formal concerns.	Monitor and provide support or technical assistance as needed.	Program Manager and Provider Partner	Issue remains unresolved despite offering TA and communication of contract expectations	As part of day-to-day contract management, regular check ins
<b>Minor Concern</b>	An isolated or unresolved, low-risk issue with no significant financial, legal, or client impact; easily correctable and not indicative of systemic problems.	Notify supervisor; offer guidance/support or technical assistance; document and track informally.	Immediate Supervisor	Supervisor determines if Program/Fiscal needs to be informed. Resolved at supervisor level if possible.	Within 3 business days of identification
<b>Moderate Concern</b>	A recurring or systemic issue posing moderate risk to compliance, financial integrity, or service quality; may require management oversight and corrective action.	Notify supervisor; document using escalation form; work with agency to resolve, document resolution.	Direct Supervisor, Section Lead, Deputy Division Director, Division Director	<b>Escalation form submitted.</b> Notifies: Fiscal Compliance, Division Director, Deputy Department Director, Department Director	Within 2 business day of identification
<b>Significant Concern</b>	A serious issue posing high risk to public funds, legal compliance, client safety, or financial integrity; may involve potential fraud, legal violations, or unsafe practices. Concerns or complaints from community members are treated as significant concerns.	Notify all required parties through escalation form, track and monitor resolution.	Direct Supervisor, Section Lead, Deputy Division Director, Division Director.	<b>Escalation form submitted.</b> Notifies: Fiscal Compliance, CFOO, Contracts & Procurement, Deputy Division Director, Deputy Department Director, Department Director	Within 2 business day of identification