

DCHS Fiscal Contract Compliance Training

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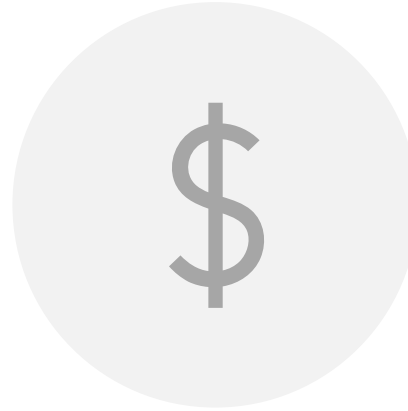
Updated March 2026



DCHS Fiscal Stewardship Trainings



DCHS Contracting
Overview Training



Financial Management And
Best Practices Training



**DCHS Fiscal Contract
Compliance Training**

Access the DCHS fiscal stewardship trainings series on the [DCHS Provider Training Webpage](#).

Learning Objectives

1

Understand DCHS
fiscal contract
requirements

2

Understand how
DCHS monitors fiscal
contract requirements

3

Learn about how to
meet requirements
and additional
resources

DCHS Fiscal Contract Compliance Requirements

This section reviews DCHS fiscal contract requirements included in Standard Terms and Conditions.



DCHS Fiscal Requirements

- **DCHS fiscal requirements** are defined in contract Standard Terms and Conditions section.
- **Standard terms and conditions** (or the “boilerplate”) states the expectations for how a contractor manages finances, risks, personnel, etc. for the work to succeed.
- **Fiscal contract compliance** means a contractor is meeting required contract fiscal terms.

Why Do Contracts Have Fiscal Requirements?

Public Accountability: Ensuring public funding is used as intended

Due Diligence: Preventing fraud, waste, and abuse

Laws & Regulations

Fund Source Requirements: State and federal funding requirements

Implementation Plans Adopted by the King County Council: Plans or roadmaps for how local fund sources are implemented

Best Practices: Generally accepted accounting principles

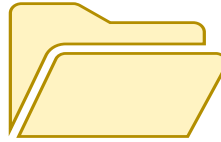
DCHS and its contractors are responsible for the financial stewardship of public resources.

DCHS Fiscal Contract Compliance Monitoring

Standard Terms and Conditions



Internal Control and
Accounting System



Maintenance of
Records



Evaluation and
Inspections



Financial Report
Submission



Subcontracting



Payment of a Living
Wage

View the DCHS contract Standard Terms and Conditions on the [DCHS Contracting Website](#).

Standard Terms & Conditions

Internal Controls and Accounting System

Accounting System: A system to record, manage, and report financial transactions.

Internal Controls: Policies and procedures to ensure compliance with laws and regulations, accurate financial reporting, efficient operations, and to prevent fraud.

Internal Controls

- Safeguard an organization's assets and prevent fraud
- Ensure reliable and accurate financial reporting
- Support compliance with laws, regulations, and grant and contract terms and conditions
- Support the goals and objectives of the organization
- Ensure efficient and effective operations

Internal Controls

Segregation of Duties

Segregation of duties is an important internal control that makes sure fiscal responsibilities are divided among different people to reduce risk of errors and fraud.

Segregation of Duties

Example: Purchases

Different staff are responsible for each step:

- Approval is required before an item is purchased
- A purchase is reviewed before it is entered into an accounting system
- Bank statements are reviewed monthly and compared to the accounting system by different people (this is called reconciliation)

Segregation of Duties

Example: Payroll

Different staff are responsible for each step:

- Supervisors review and approve timesheets
- Payroll is reviewed before and after it is processed
- Payroll is reviewed after it is entered into accounting system
- Employee payroll changes are documented in a secure location

Segregation of Duties

Example: Revenue

Different staff are responsible for each step:

- Mailed checks are opened by staff who do not have bank access
- Checks are recorded in the accounting system when received
- Checks are securely stored before deposited at bank
- Bank statements are reviewed monthly and compared to the accounting system by different people (also known as reconciliation)

Segregation of Duties

Example: Small Staff Size

Examples of how to separate duties at a small organization:

- Hire a contract bookkeeper
- Include board members (such as the treasurer) in financial statement review and other processes

Standard Terms & Conditions

Maintenance of Records

Contractors must save all financial records and documentation (like receipts) for **six years after their contract ends** unless a longer retention period is required by law.

Maintenance of Records

Supporting Documentation for Costs

Supporting documentation must demonstrate costs are:

- Allowed by the contract and within the contract period
- Reasonable, or whether the costs being billed are appropriate, consistent, and justifiable with the services delivered and contract terms
- Treated consistently
- Follow financial management best practices
- Demonstrate segregation of duties
- Follow the contractor's policies and procedures

Standard Terms & Conditions

Evaluation and Inspections

Contractor records and documentation are subject to review by DCHS. DCHS regularly reviews records through contract compliance monitoring.

Standard Terms & Conditions

Financial Report Submission

Contractors are required to submit a financial reporting package annually to DCHS.

View the DCHS contract Standard Terms and Conditions on the [DCHS Contracting Website](#).

Financial Report Submission

Reporting Requirement Table

ENTITY TYPE	NON-PROFIT		FOR-PROFIT	
Gross Revenue	Gross revenue under \$3 million on average in the previous three fiscal years	Gross revenue Over \$3 million on average in the previous three fiscal years	Gross revenue Under \$3 million on average in the previous three fiscal years	Gross revenue Over \$3 million on average in the previous three fiscal years
Required Documentation	- Form 990 within 30 days of its being filed; and - A full set of annual internal financial statements, which includes income statement, balance sheet, and/or profit and loss statement.	Audited financial statements prepared by an independent Certified Public Accountant or Accounting Firm	- Income tax return; and - A full set of annual internal financial statements	Audited financial statements prepared by an independent Certified Public Accountant or Accounting Firm
Due Date	Within 30 calendar days from the forms being filed.	Within nine months following the close of the Contractor's fiscal year	Within 30 calendar days from the forms being filed.	Within nine months following the close of the Contractor's fiscal year

View the DCHS contract Standard Terms and Conditions on the [DCHS Contracting Website](#).

Standard Terms & Conditions

Subcontracting

- Contractors are required to request DCHS approval **before** engaging a subcontractor.
- Contractors must request DCHS' approval to subcontract **at least 15 days before** the subcontract is to take effect.
- Specific King County contract terms and conditions, including relevant insurance requirements, must be included in any subcontractor contract.

Visit the [DCHS subcontractor requirements webpage](#) to learn more.

Standard Terms & Conditions

Payment of a Living Wage

- The King County Living Wage Ordinance requires contractors to pay staff a living wage.
- In 2026, the hourly minimum wage for required for employees of DCHS contractors is \$20.82.



DCHS Fiscal Contract Compliance Monitoring

This section reviews the DCHS fiscal contract compliance monitoring process.



Fiscal Contract Compliance Monitoring

Process Overview

Step 1: Schedule Site Visit

Step 2: Notification Letter Sent & Information Request

Step 3: Fiscal Monitoring Site Visit Interview

Step 4: Supporting Documentation Requested

Step 5: Fiscal Monitoring Technical Assistance

Step 6: Monitoring Results Letter

Fiscal Contract Compliance Monitoring

Step 1: Schedule Site Visit

- Contractors with multiyear contracts receive a fiscal monitoring site visit at least once every three years.
- DCHS will reach out to contractors to schedule a virtual or in-person fiscal monitoring site visit.

Fiscal Contract Compliance Monitoring

Step 2: Notification Letter and Info Request

DCHS requests fiscal information, such as:

- Operating and fiscal policies and procedures
- Detailed general ledger for contracts under review
- Financial reports
- Organizational chart and list of board of directors

Fiscal Contract Compliance Monitoring

Step 3: Fiscal Monitoring Interview

DCHS interviews accounting/finance staff to learn about:

- Financial policies and procedures
- Internal controls (like segregation of duties)

Fiscal Contract Compliance Monitoring

Step 4: Supporting Documentation Request

DCHS will request and review:

- Supporting documentation for a sample of expenses
- Examples include receipts, invoices, and timesheets

Fiscal Contract Monitoring Process

Step 5: Fiscal Monitoring Technical Assistance

DCHS works with contractors during fiscal monitoring to:

- Answer agency staff questions
- Provide technical assistance
- Share feedback, recommendations, and any issues that need to be addressed

Fiscal Contract Monitoring Process

Step 6: Monitoring Results Letter

- DCHS sends contractors a letter summarizing the fiscal compliance monitoring results within 60 days of a site visit.
- The letter will notify the contractor if there was an issue identified during the fiscal compliance monitoring that requires a Corrective Action Plan.



Corrective Action Plans

This section reviews the DCHS
corrective action plan process.



Fiscal Contract Monitoring Process

Corrective Action Plan

- A Corrective Action Plan outlines fiscal contract compliance issues that need improvement and specific steps that a contractor needs to take to resolve the issues.
- DCHS communicates Corrective Action Plans to contractors through a fiscal contract monitoring results letter.
- **Important Note: Unresolved Corrective Action Plans may result in contract termination.**

Corrective Action Plans

Process Overview



DCHS outlines issues that need to be resolved through a Corrective Action Plan. This is communicated to a contractor in the fiscal contract monitoring results letter.



The monitoring results letter outlines the steps a contractor needs to take in a Corrective Action Plan.



Corrective Action Plans are due to DCHS 30 days after the monitoring results letter is issued.



DCHS will respond to a Corrective Action Plan within 30 days after it is received.



DCHS issues Corrective Action Plan acceptance letter or partial acceptance letter once issues have been sufficiently addressed.

Corrective Action Plans

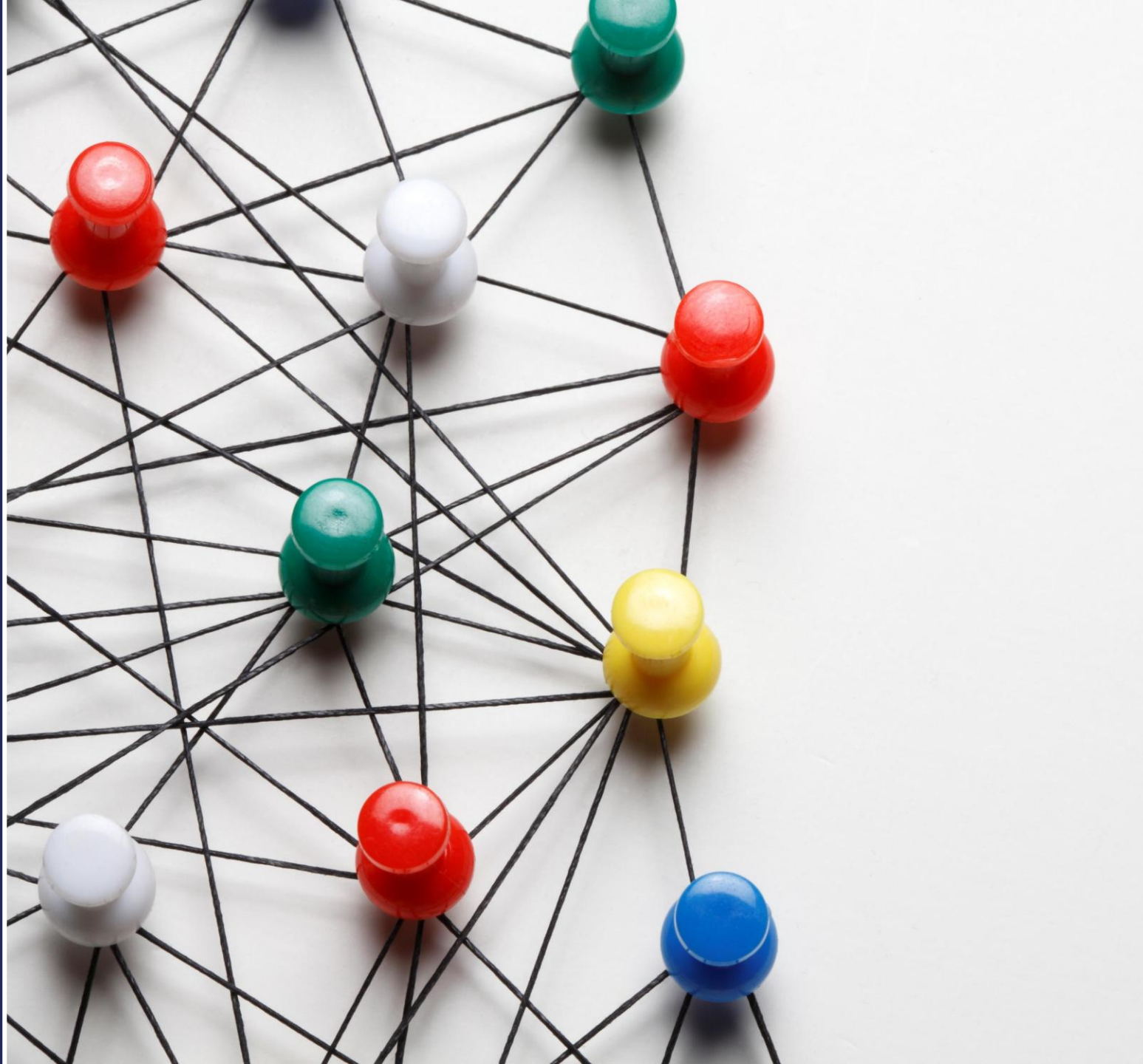
Where to Get Help

- **DCHS Fiscal Compliance Staff**
DCHS fiscal compliance staff may be able to provide guidance.
- **DCHS Technical Assistance and Capacity Building (TACB)**
Contractors receiving funding through the Best Starts for Kids or the Veterans, Seniors, and Human Services Levy (VSHSL) have access to TACB resources. Visit the DCHS contractor training website to learn more about TACB and other contractor resources.

The [DCHS Provider Training Webpage](#) has resources for contractors.

Preparing for Fiscal Contract Compliance Monitoring

This section provides tips for how to prepare for a fiscal contract compliance monitoring site visit.



Set Up Systems Early

- Make sure your accounting system can track expenses by program and contract.
- Keep supporting documentation and receipts for every expense.
- Make sure you have operating and fiscal policies and procedures that are up to date and reflect your organization's current practices.
- Request DCHS pre-approval to subcontract at least **15 days before the start of a proposed subcontract** and make sure DCHS contract terms and conditions, including insurance requirements, are included in any subcontractor contract.

The best way to prepare for fiscal compliance monitoring is to proactively set up and/or update internal controls.

Preparing for a Fiscal Monitoring Interview

- Know your DCHS contract
- Be familiar with your organization's policies and procedures

Common Fiscal Compliance Issues

Lack of fiscal policies and procedures

Out of date fiscal policies and procedures

Lack of supporting documentation for transactions

Not flowing down required subcontractor terms and conditions

Not having or following a cost allocation plan (if applicable)

The [DCHS Provider Training Webpage](#) has resources for contractors.

Resources and Feedback

This section includes resources to support contractors and a training feedback survey.



DCHS Training Resources

[DCHS Provider Training Webpage](#)

Information about trainings and resources to support DCHS contractors.

[Best Starts for Kids Capacity Building](#)

Best Starts for Kids provides no-cost Capacity Building support to all current Best Starts-funded organizations. Learn about available resources and how to request support.

[VSHSL Technical Assistance and Capacity Building \(TACB\)](#)

Small to midsize organizations with an active Veterans, Seniors, and Human Services Levy (VSHSL) contract providing human services are eligible to apply for TACB funding. VSHSL TACB funding information is posted on the DCHS Investments and Funding Opportunities webpage.

DCHS Contracting Resource

[DCHS Funding Opportunities](#)

Information about open and upcoming funding opportunities.

[How to Contract with DCHS](#)

Information about how to contract with DCHS, including contract standard terms and conditions.

[DCHS Insurance Requirements](#)

Information about contractual insurance requirements.

[Accessing Agiloft to Apply for and Manage Contracts with DCHS](#)

Information about Agiloft, a software system, that DCHS uses to manage funding opportunities and solicitations, contracting, and invoice activities.

[Subcontractor Requirements Webpage](#)

Information about DCHS subcontractor requirements, including instructions for how contractors request a potential subcontractor.

Resources for Nonprofit Organizations

[Nonprofit Association of Washington](#)

Nonprofit Association of Washington convenes a powerful network of nonprofit organizations across Washington State to learn, advocate, and collaborate, so that nonprofits can achieve their missions.

[Washington Nonprofit Handbook](#)

The Nonprofit Handbook contains essential information about the laws affecting nonprofit organizations in Washington. It includes information about how to form and maintain a nonprofit corporation, including internal controls best practices.

[Washington Secretary of State Nonprofit Resources](#)

Resources related to nonprofit management, governance, operations, best practices, and other resources.

Feedback Survey

Please consider sharing your feedback through a brief
[DCHS Fiscal Contract Compliance Training Survey:](#)



Your feedback will help inform future trainings, including
how to improve this one. Thank you!



Thank you!

Questions?

DCHSProviderSupport@kingcounty.gov



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