**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

|  |  |
| --- | --- |
| **Name of Client:** |  |
| **Year Ended:** | 2023 |

|  |  |
| --- | --- |
| **Federal Award Name:** | Child Nutrition Cluster |
| **AL#:** | 10.553 School Breakfast Program (SBP)10.555 National School Lunch Program (NSLP)10.556 Special Milk Program for Children (SMP)10.559 Summer Food Service Program for Children (SFSP)10.582 Fresh Fruit and Vegetable Program (FFVP) |

# Important Information

**In addition to completing the control and suggested audit procedures, yellow-highlighted text indicates items that must be addressed or updated by auditors and should be deleted after the required information is added.**

*Blue italicized text indicates guidance from CFAE.*

This FACCR has been tailored for local governments and Not-For-Profits. It does not include all required references and testing for Institutes of Higher Learning or State organizations.

If the program had COVID funding expenditures, please refer to the terms and conditions of the grant to determine if any additional requirements were imposed. Also see guidance in [Appendix VII](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Appendix_VII.pdf) of the Compliance Supplement.

If additional material requirements are identified, auditors will need to create procedures to test those requirements. If you have questions, AOS Auditors please open a Spiceworks ticket for assistance (IPAs email AOSFederal@ohioauditor.gov).

**Navigation Pane**

Click on the “View” tab on the top ribbon and check the box that says “Navigation Pane” to bring up the headings on the left side of the screen. Click on the various sections within the navigation pane to go directly to that section.

**Table of Contents**

On the table of contents page, users can also click on listed sections to go directly to that section. As information is added into the FACCR, page numbering will change and the Table of Contents may need to be updated to reflect revised numbering. To update the Table of Contents, click on the word “Contents” directly above the line starting with Important Information, which brings up the icon “Update Table.” Clicking OK in the box that appears will update the page numbers on the Table of Contents to reflect any changes in the document.

**Guidance Links**

Links to guidance referenced throughout this document are included below:

* [Part 6](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/Shared%20Documents/Framework-Executive-Summary.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Appendix_II.pdf) *to the OMB Compliance Supplement provides the codified section reference of the agency adoption of the Uniform Guidance (UG) (2 CFR Part 200) and nonprocurement suspension and debarment requirements in 2 CFR Part 180, including the 2020 revisions.*

*While some Federal agencies gave regulatory effect to the Uniform Guidance as a whole, others made changes to the UG language within the agency codified sections by either adding specific requirements/exceptions or editing/modifying existing language. OMB does not maintain a complete listing of agency exceptions to the UG, but the most recent compilation of agency additions and exceptions (updated through December 2014) is provided on the* [*CFO website*](https://www.cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf)*. AOS auditors should review the UG Exception Evaluation by Federal Agency spreadsheet (updated through June 2022)* [*on the Intranet*](https://ohauditor.sharepoint.com/%3Af%3A/r/sites/Intranet/Shared%20Documents/Audit_Resources/Federal/Other%20Federal%20Resources?csf=1&web=1&e=RtVw5R) *(Documents > Audit Resources > Federal > Other Federal Resources).*

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements.*

*Auditors should also review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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# Compliance Requirement Matrix

*Footnotes 1-7 below the matrix provide further explanation; review note 6 which discusses tailoring the matrix assessments.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | **Applicable per Compliance Supplement***(Yes/No)* | **Direct & Material to Program / Entity***(Yes/No)* | **Monetary****or Nonmonetary***(Set by CFAE)**(M/N)* | **Population Subject to Requirement (if Monetary)***(in $)* | **Inherent Risk****(from IRAF)***(High/Low)* | **Final Control Risk***(High/Low)* | **Detection****Risk of Noncompl.***(High/Low)* | **Overall Audit Risk of Noncompl.***(High/Low)* | **Federal Materiality by Compliance Requirement***(usually 5%)* |
| **A** |   | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |   | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |   | **Cash Management** | No |  |  |  |  |  |  |  |  |
| **D** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E**  |   | **Eligibility** | Yes |  | M/N |  |  |  |  |  | 5% |
| **F** |   | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |   | **Matching, Level of Effort, Earmark** | No |  |  |  |  |  |  |  |  |
| **H** |   | **Period of Performance** | No |  |  |  |  |  |  |  |  |
| **I** |   | **Procurement & Sus. & Debarment** | Yes |  | N |  |  |  |  |  | 5% |
| **J** |   | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |   | **Reporting** | Yes |  | N |  |  |  |  |  | 5% |
| **M** |   | **Subrecipient Monitoring** | No |  |  |  |  |  |  |  |  |
| **N** |   | **Special Tests & Provisions – Verification of Free and Reduced-Price Applications**  | Yes |  | N |  |  |  |  |  | 5% |
| **N** |   | **Special Tests & Provisions – Non-Profit School Food Service Accounts**  | Yes |  | N |  |  |  |  |  | 5% |
| **N** |   | **Special Tests & Provisions – Paid Lunch Equity**  | Yes |  | M/N |  |  |  |  |  | 5% |

**(1)** *From Part 2, Matrix of Compliance Requirements, for the applicable program in the* [*OMB Compliance Supplement*](https://www.whitehouse.gov/omb/office-federal-financial-management/)*. For programs not included in Part 2, all compliance requirements should be marked as applicable.*

**(2)** *If the Compliance Supplement notes a compliance. requirement as being applicable to the program in the first column, it still may not apply at a particular entity either because that entity does not have activity subject to that type of compliance requirement, or the activity could not have a material effect on a major program. If the Compliance Supplement indicates that a type of compliance requirement is applicable and the auditor determines it also is direct and material to the program at the specific entity being audited, the auditor should answer this question “Yes,” and then complete the remainder of the line. Alternatively, if the auditor determines that a particular type of compliance requirement that normally would be applicable to a program (as per part 2 of the Compliance Supplement) is not direct and material to the program at the specific entity being audited, the auditor should answer this question “No.” Along with that response, the auditor should document the basis for the determination in the working papers or this FACCR. When making that determination all parts of that compliance requirement must be considered. For example, Equipment and Real Property Management contains procedures regarding Acquisitions, Dispositions (Disposals), and Inventory Management. The documentation on why the compliance requirement is not be applicable to the program/entity must address all parts of that compliance requirement.*

***(3)*** *Refer to the AICPA Single Audit Guide, chapter 10, Compliance Auditing Applicable to Major Programs, for considerations relating to assessing inherent risk of noncompliance for each direct and material type of compliance requirement. For AOS auditors, the auditor documents the inherent risk assessment for each direct and material compliance requirement on the Inherent Risk Assessment Form (IRAF). The assessments in this column should directly tie to the final inherent risk assessment on the IRAF.*

**(4)** *See guidance on the following page for considerations relating to assessing control risk of noncompliance for each direct and material type of compliance requirement.* ***Planned control risk must be assessed at low per 2 CFR § 200.514; therefore, only final control risk is shown in the matrix.*** *Additionally, auditors must document final control risk in each compliance requirement section’s Audit Implications Summary in this FACCR. See AICPA Single Audit Guide, Chapter 9, Consideration of Internal Control over Compliance for Major Programs.*

**(5)** *Audit risk of noncompliance is defined in AU-C 935 as the risk that the auditor expresses an inappropriate opinion on the entity’s compliance when material noncompliance exists. Audit risk of noncompliance is a function of the risks of material noncompliance and detection risk of noncompliance. A “Low” assessment of detection risk in this matrix means that the risk has been reduced to an acceptable level.*

***(6)*** *The AICPA Single Audit Guide 10.55 states the auditor’s tests of compliance with compliance requirements may disclose instances of noncompliance. The Uniform Guidance refers to these instances of noncompliance, among other matters, as “audit findings.” Such findings may be of a monetary nature and involve questioned costs or may be nonmonetary and not result in questioned costs. CFAE included the monetary vs. nonmonetary determinations for each compliance requirement in this program. If AOS auditor believe the determination of monetary vs. nonmonetary should be updated for a particular section, other than sections E and N, they must consult with CFAE via the FACCR specialty in Spiceworks. The Eligibility and Special Tests & Provisions determinations reflect M/N as the determination of whether the compliance requirement is monetary or non-monetary is contingent upon the specific requirements of the program being tested as well as requirements contained within the grant agreement. For sections E and N, auditors should tailor the assessment as appropriate based on the facts and circumstances of their entity’s operations, update the Compliance Requirement Matrix for the appropriate designation (N or M), and document the research and reasoning behind the determination.*

***(7)*** *AU-C 935.13 & .A7 require auditors to establish and document two materiality levels: (1) a materiality level for the program as a whole, and (2) a second materiality level for the each of the applicable 12 compliance requirement listed in Appendix XI to Part 200. This column documents quantitative materiality at the compliance requirement level for each major program.*

*Note: If the compliance requirement is (1) of a monetary nature, and (2) the requirement applies to the* ***total*** *population of program expenditures, then the compliance materiality amount for the program also equals materiality for the requirement as shown in the last column of the matrix. For example, the population for allowable costs and cost principles will usually equal the total Federal expenditures for the major program as a whole. Conversely, the population for some monetary compliance requirements may be less than the total Federal expenditures. Auditors must carefully determine the population subject to the compliance requirement to properly assess Federal materiality. Auditors should also consider the qualitative aspects of materiality. For example, in some cases, noncompliance and internal control deficiencies that might otherwise be immaterial could be significant to the major program because they involve fraud, abuse, or illegal acts. The program level materiality, typically 5%, is documented in the Record of Single Audit Risk (RSAR).*

**Performing Tests to Evaluate the Effectiveness of Controls**

*Control Risk Assessment:*

*Auditors must:*

* *Document the five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material compliance requirement and*
* *Perform procedures to obtain an understanding of internal control over compliance for federal programs that is sufficient to plan the audit to support a low assessed level of control risk.*

*If internal control over compliance for a compliance requirement is likely to be ineffective in preventing or detecting noncompliance, the auditor is not required to plan and perform tests of internal control over compliance. Rather, the auditor must assess control risk at maximum, determine whether additional compliance tests are required, and report a significant deficiency (or material weakness) as part of the audit findings.*

*AICPA Single Audit Guide’s paragraph 9.08 states that Uniform Guidance provides that the auditors must perform tests of internal controls over compliance as planned. (Paragraphs 9.40-9.42 of the* *AICPA Single Audit Guide discuss an exception related to ineffective internal control over compliance.) In addition, AU-C 330.08 states the auditor should design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls. Further, AU-C 330.09 states in designing and performing tests of controls, the auditor should obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control.*

*Testing of the operating effectiveness of controls ordinarily includes procedures such as*

1. *inquiries of appropriate entity personnel, including grant and contract managers;*
2. *the inspection of documents, reports, or electronic files indicating performance of the control;*
3. *the observation of the application of the specific controls; and*
4. *reperformance of the application of the control by the auditor.*

*The auditor should perform such procedures regardless of whether he or she would otherwise choose to obtain evidence to support an assessment of control risk below the maximum level.*

*Paragraph .A24 of AU-C section 330 provides guidance related to the testing of controls. When responding to the risk assessment, the auditor may design a test of controls to be performed concurrently with a test of details on the same transactions. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same transaction (a dual-purpose test). For example, the auditor may examine an invoice to determine whether it has been approved and whether it provides substantive evidence of a transaction. A dual-purpose test is designed and evaluated by considering each purpose of the test separately.*

*Also, when performing the tests, the auditor should consider how the outcome of the test of controls may affect the auditor’s determination about the extent of substantive procedures to be performed. See chapter 11 of the AICPA Single Audit Guide for a discussion of the use of dual-purpose samples in a compliance audit.*

*Before a dual-purpose test is performed, AOS auditors must read AOSAM 30500 and 35900 for guidance.*

[Part 6](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Part_6.pdf) of the 2023 OMB Compliance Supplement provides detailed guidance on assessing internal controls over the compliance requirements.

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, federal agencies are required to take actions to prevent improper payments, review federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

1. Any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes -- (i) any payment to an ineligible recipient;(ii) any payment for an ineligible good or service; (iii) any duplicate payment; (iv) any payment for a good or service not received, except for those payments where authorized by law; and (v) any payment that does not account for credit for applicable discounts.
2. A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Auditors must be alert to improper payments, particularly when testing the following parts of section III. – A, “Activities Allowed or Unallowed;” B, “Allowable Costs/Cost Principles;” E, “Eligibility;” and, in some cases, N, “Special Tests and Provisions.”

*(Source: 2023 OMB Compliance Supplement Part 3)*

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

The objectives of the child nutrition cluster programs are to (1) assist states in administering and overseeing food service program operators that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer programs; (2) foster healthy eating habits in children by providing fresh fruits and fresh vegetables to children attending elementary schools; and (3) encourage the domestic consumption of nutritious agricultural commodities.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### II. Program Procedures

**A. Overview**

The Child Nutrition Programs are administered at the federal level by the Food and Nutrition Service (FNS) of the US Department of Agriculture (USDA) through grants to state agencies. Each state agency enters into agreements with subrecipient organizations for local level program operation and the delivery of program benefits and services to eligible children. The types of organizations that receive subgrants under each program are described below under “Program Descriptions.”

USDA makes donated agricultural commodities available for use in the operation of all child nutrition programs (except the SMP and FFVP). FNS enters into agreements with state distributing agencies for the distribution of USDA donated foods. The state distributing agencies enter into agreements with local program operators, which are defined collectively as “recipient agencies.” A state may designate a recipient agency to perform its storage and distribution duties. A state distributing agency may engage a commercial food processor to use USDA-donated foods in the manufacture of food products, and then deliver such manufactured products to recipient agencies.

**B. Subprograms/Program Elements**

*1. Common Characteristics*

The programs in the Child Nutrition Cluster are all variants of a basic program design having the following characteristics:

1. Local program operators provide prepared meals to children in structured settings. Four types of meal service may be authorized: breakfast, lunch, snacks, and supper. Milk-only service may be authorized under the SMP. The types a particular program operator may offer are determined first by the respective program’s authorizing statute and regulations, and second by the program operator’s agreement with its administering agency.
2. While all children in attendance are entitled to receive these program benefits, children whose households meet stated income eligibility criteria generally receive their meals (or milk, where applicable) free or at a reduced price. With certain exceptions, children not eligible for free or reduced price meals or free milk must pay the full prices set by the program operator for these items. A program meal must be priced as a unit.

The nonprofit school food service account is managed by local program operators who offer program and nonprogram foods to children during meal services. Program foods are the foods served in reimbursable meals. Nonprogram foods include any nonreimbursable foods and beverages purchased using the funds from the nonprofit school food service account.

Nonprogram foods encompasses all other foods sold in school, including adult meals, foods sold outside of school hours, or any foods used for catering or vending activities. For the majority of local program operators, a la carte foods offered during meal service account for the largest share of nonprogram foods. To the maximum extent practicable, school food authorities must purchase commodities produced in the United States and food products processed in the United States substantially using commodities produced in the United States.

1. Federal assistance to local program operators takes the form of cash reimbursement. In addition, USDA donates food under 7 CFR Part 250 for use in preparing meals to be served under the NSLP, SBP, and SFSP.
2. To obtain cash and donated food assistance, a local program operator must submit monthly claims for reimbursement to its administering agency. All meals (and half-pints of milk under SMP) claimed for reimbursement must meet federal requirements and be served to eligible children.
3. The program operator’s entitlement to reimbursement payments is generally computed by multiplying the number of meals (and/or half-pints of milk under the SMP) served by a prescribed per-unit payment rate (called a “reimbursement rate”). Different reimbursement rates are prescribed for different categories and types of service. “Type” refers to the kind of service (breakfast, lunch, milk, etc.), while “category” refers to the beneficiary’s eligibility (free, reduced price, or paid). Under this formula, a local program operator’s entitlement to funding from its administering agency is generally a function of the categories and types of service provided. Therefore, the child nutrition cluster programs are said to be “performance funded.”

*2. Characteristics of Individual Programs*

The program-specific variants of this basic program model are outlined below.

1. *NSLP and SBP* – These programs target children enrolled in schools. For program purposes, a “school” is a public or non-profit private school of high school grade or under, or a public or licensed non-profit private residential child-care institution. At the local level, a school food authority (SFA) is the entity with which the administering agency makes an agreement for the operation of the programs. An SFA is the governing body (such as a school board) legally responsible for the operation of the NSLP and/or SBP in one or more schools. A school operated by an SFA may be approved to serve breakfast and lunch. A school participating in the NSLP that also has an afterschool care program with an educational or enrichment component may also be approved to serve afterschool snacks. Refer also to the description of the SMP below. These programs must purchase domestic foods and food products processed in the United States substantially using domestic foods.
2. *SFSP* – The SFSP is directed toward children in low-income areas when school is not in session. It is locally operated by approved sponsors, which may include public or private non-profit SFAs, public or private non-profit residential summer camps, or units of local, municipal, county, or state governments, or other private non-profit organizations that develop a special summer or other school vacation program providing food service similar to that available to children during the school year under the NSLP and SBP.

Residential camps and migrant sites may receive reimbursement for up to three meals, or two meals and one snack, per child per day, whereas all other sites may receive reimbursement for any combination of two meals (except lunch and supper) or one meal and one snack per child per day.

All participating children receive their meals free. Participating summer camps must identify children eligible for free or reduced price meals and may receive SFSP meal reimbursement only for meals served to eligible children.

Although USDA-donated foods are made available under the SFSP, they are restricted to sponsors that prepare the meals to be served at their sites and those that have entered into an agreement with an SFA for the preparation of meals.

1. *SMP* – The SMP provides milk to children in schools and child-care institutions that do not participate in other federal meal service programs. However, schools operating the NSLP and/or SBP may also participate in the SMP to provide milk to children in half-day pre-kindergarten and kindergarten programs where children do not have access to the NSLP and SBP. An SFA or institution operating the SMP as a pricing program may elect to serve free milk but there is no federal requirement that it do so. The SMP has no reduced price benefits. SFAs must also purchase milk that is domestic and processing must occur in the United States.
2. *FFVP* – The FFVP provides free fresh fruits and vegetables to children enrolled in high need elementary schools during the school day. The program prioritizes schools with the highest percentage of children certified as eligible for free and reduced price meals. The goal is to introduce children to fresh fruits and vegetables, to include new and different varieties, and to increase overall acceptance and consumption of fresh, unprocessed produce among children. The FFVP also encourages healthier school environments by promoting nutrition education.

**C. Program Funding**

FNS provides funds to state agencies by letter of credit. The state agencies use meal reimbursement funds to support program operations by SFAs, institutions, and sponsors under their oversight, and administrative funds to fund their own administrative costs.

*1. Funding Program Benefits*

FNS provides cash reimbursement to each state agency for each meal served under the NSLP, SBP, and SFSP and for each half pint of milk served under the SMP. The state agency’s entitlement to cash assistance for NSLP and SBP meals, NSLP snacks, and SMP milk not reimbursed at the “free” rate is determined by multiplying the number of units served within the state by a “national average payment rate” set by FNS. Cash reimbursement to a state agency under the SFSP is the product obtained by multiplying the number of meals served by maximum rates of reimbursement established by FNS.

The basic rate is increased by two cents for each lunch served in SFAs in which 60 percent or more of the lunches served during the second preceding school year were served free or at a reduced price. A “severe need” school receives a higher rate and is one in which at least 40 percent of the school lunches served in the second preceding school year were served free or at reduced price. Milk served free under the SMP is funded at the average cost of milk. In addition, performance-based cash reimbursement is currently 7 cents per lunch for eligible schools.

State agencies earn donated food assistance based on the number of program meals served in schools participating in the NSLP and for certain sponsors participating in the SFSP. The state agency’s level of donated food assistance is the product of the number of meals served in the preceding year multiplied by the national average payment for donated foods.

FNS adjusts the national average payment rates and maximum rates for reimbursement annually for NSLP, SBP, and SFSP to reflect changes in the Consumer Price Index and for the SMP to reflect changes in the Producer Price Index. FNS adjusts donated food assistance rates annually to reflect changes in the Price Index for Food Used in Schools and Institutions. The current announcements of all these assistance rates is available at <http://www.fns.usda.gov/school-meals/rates-reimbursement> (7 CFR sections 210.4(b), 220.4(b), 215.1) and at <https://www.fns.usda.gov/sfsp-reimbursement-rates> (7 CFR 225.9(d)(9)).

A state agency uses the cash assistance obtained through performance funding to reimburse participating SFAs and sponsors for eligible meals served to eligible persons. Like “national average payments” to states, reimbursement payments are also made on a per-meal (performance funding) basis. SFAs and SFSP sponsors receive donated foods to the extent they can use them for program purposes; however, certain types of products are limited by an entitlement.

A state agency’s FFVP grant is determined by FNS using an allocation formula per Section 19 of the Richard B. Russell National School Lunch Act, 42 U.S.C. 1769a. Eligible elementary schools must submit an FFVP application to the state agency. The selected elementary schools receive an amount per student for each school year. The exact amount of per student funding is determined by the state agency based on the total funds allocated to the state agency and the student enrollment at participating schools.

*2. Funding State-Level Administrative Costs*

In addition to funding for reimbursement payments to SFAs and sponsors, state agencies receive funding from several sources for costs they incur to administer these programs.

1. *State Administrative Expense (SAE) Funds* – These funds are granted under CFDA 10.560, which is not included in the Child Nutrition Cluster.
2. *SFSP State Administrative (SAF) Funds* – In addition to regular SAE grants, administrative funds are made available to state agencies under CFDA 10.559 to assist with administrative costs of the SFSP (7 CFR section 225.5). The state agency must describe its intended use of the funds in a Program Management and Administrative Plan submitted to FNS for approval (7 CFR section 225.4).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### III. Source of Governing Requirements

The programs included in this cluster are authorized by the Richard B. Russell National School Lunch Act, as amended (NSLA) (42 USC 1751 et seq.) and the Child Nutrition Act of 1966, as amended (CNA) (42 USC 1771 et seq.). The implementing regulations for each program are codified in parts of 7 CFR as indicated: National School Lunch Program (NSLP), Part 210; School Breakfast Program (SBP), Part 220; Special Milk Program for Children (SMP), Part 215; and Summer Food Service Program for Children (SFSP), Part 225. Regulations at 7 CFR Part 245 address eligibility determinations for free and reduced price meals and free milk in schools and institutions. Regulations at 7 CFR Part 250 give general rules for the receipt, custody, and use of USDA donated foods provided for use in the Child Nutrition Cluster of programs.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### IV. Other Information

Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136), Families First Coronavirus Response Act (the Act) (Pub. L. No. 116-127), the American Rescue Plan Act of 2021 (Pub. L. No. 117-2), and in light of the exceptional circumstances of the ongoing public health emergency, the Food and Nutrition Service (FNS) granted several waivers for the aforementioned programs to ease program operations at the state and local levels and minimize the potential exposure to the novel coronavirus (COVID-19).

To view a complete portfolio of waivers, their descriptions, and states elected or requested to implement these waivers, please go to https://www.fns.usda.gov/disaster/pandemic/covid-19 (*link no longer valid*). Each individual waiver contains a link to view the full description along with each state approved to implement the waiver. In addition, copies of individual state waivers are available at the links for each state.

For auditing purposes during this public health emergency, it is recommended that the audit community obtain the list of waivers from the audited state agency and local agency and adapt the audit test steps to reflect these flexibilities. Each waiver offered has reporting requirements that must be adhered to by the state agency. For example, pursuant to section 2202(d) of the Act, each state that elects to be subject to a waiver under section 2202(a)(b)(c) must submit a report to the secretary not later than one year after the date such state received the waiver. The report must include: (1) a summary of the use of this waiver by the state agency and local program operators; and (2) a description of whether and how this waiver resulted in improved services to program participants. Although there is no requirement for auditors to test reporting requirements for waivers applied by the state agency, auditors should be aware of this reporting requirement for each waiver exercised by the state agency. Documentation must be maintained by the state agency summarizing the use of each waiver and how each waiver improved its services to program participants.

In addition, the 2022 Compliance Supplement for the FNS programs listed in this document contain the procedures that auditors would normally follow during customary program operations. Due to COVID-19 and the subsequent closures, as in the case of the public schools, FNS would expect instances when it is not possible to perform certain audit steps as written in the Compliance Supplement. Such instances should be documented by the auditors.

Questions regarding this document should be directed to FNS’s Office of Financial Management, Office of Internal Controls, Audits and Investigations at SM.FN.FM-SingleAudits@usda.gov.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Multiple Program Covid-19 Waivers)*

**Other Information**

FNS no longer requires recipient agencies to inventory USDA-donated food separately from purchased food. However, the value of donated foods used during a state or recipient agency’s fiscal year is considered federal awards expended in accordance with 2 CFR section 200.40 definition of “federal financial assistance” and must be valued in accordance with 2 CFR section 200.502(g). Therefore, recipient agencies must report the value of donated foods used according to the fair market value of donated foods at the time of receipt or the assessed value provided by the federal agency for this purpose.

**Availability of Other Program Information**

Other program information is available online at USDA’s public website. The Child Nutrition Programs site pages are at <http://www.fns.usda.gov/cnd>. The USDA Foods sites pages for the Child Nutrition Programs are at <https://www.fns.usda.gov/usda-foods>.

**COVID-19 Pandemic Flexibilities**

During the pandemic, waivers to some program requirements were issued and information is available at [Child Nutrition COVID-19 Waivers | Food and Nutrition Service (usda.gov).](https://www.fns.usda.gov/fns-disaster-assistance/fns-responds-covid-19/child-nutrition-covid-19-waivers) The auditor should consult with the State and/or local agency subject to audit to identify which waiver flexibilities were adopted, to the extent applicable. Please also refer to 4-10.000 of this document, which provides general background information regarding the impact of COVID-19 waivers on FNS programs.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

*CFAE verified waivers in place during fiscal year 2023 with the Ohio Department of Education. Applicable waivers are noted throughout the FACCR.*

# Part II – Pass through Agency and Grant Specific Information

### Program Overview

**(1) National School Lunch (NSLP)**

Objectives:

To assist States, through cash grants and food donations, in providing a nutritious nonprofit lunch service for school children and to encourage the domestic consumption of nutritious agricultural commodities. The NSLP includes the Seamless Summer Option (SSO). The SSO was not in place during fiscal year 2023.

Use of Assistance:

Federally appropriated National School Lunch Program funds are available to each State agency to reimburse participating public and nonprofit private schools, of high school grades or under, including residential childcare institutions, for providing nutritious lunches to children. Funds are also available to reimburse schools for snacks served to children enrolled in eligible after school care programs. The meals offered must meet specific nutrition standards in order to be reimbursable. The rates of reimbursement are adjusted on an annual basis to reflect changes in the Food Away From Home series of the Consumer Price Index for All Urban Consumers. All participating schools must agree to serve free and reduced price meals to eligible children. Please refer to regulations: 7 CFR Part 210 -- National School Lunch Program, 7 CFR Part 235 -- State Administrative Expense, and 7 CFR Part 245—Determining Eligibility for Free and Reduced Price Meals and Free Milk in Schools.

In School year 2022-2023, schools were back to pre-COVID operation requirements for the National School Lunch Program and School Breakfast Program. COVID waivers allowing no-cost meals for all students expired at the end of the 2021-2022 school year.

*(Source:* [*Assistance Listing #10.555 at sam.gov*](https://sam.gov/fal/6bdcab55582b15eb7d9fb0aa1a00503f/view?index=cfda&sort=-relevance&page=1&keywords=10.555&date_filter_index=0&date_rad_selection=date) *and Ohio Department of Education)*

**(2) School Breakfast (SBP)**

Objectives:

To assist States in implementing a nutritious nonprofit breakfast service for school children, through meal reimbursements and food donations.

Use of Assistance:

Federally appropriated School Breakfast Program funds are available to each State agency to reimburse participating public and nonprofit private schools, of high school grade and under, including residential childcare institutions, for providing nutritious breakfasts to eligible children. The breakfasts offered must meet the nutritional requirements prescribed by the Secretary of Agriculture in order to be reimbursable. The rates of reimbursement are adjusted on an annual basis to reflect changes in the Food Away From Home series of the Consumer Price Index for all Urban Consumers. All participating schools must agree to serve free and reduced price meals to eligible children. Please refer to regulations: 7 CFR Part 220 -- School Breakfast Program; 7 CFR Part 235 -- State Administrative Expense; 7 CFR Part 245 – Determining Eligibility for Free and Reduced Price Meal and Free Milk in Schools.

*(Source:* [*Assistance Listing #10.553 at sam.gov*](https://sam.gov/fal/e97ddfebe69d04072c34274fc55e4130/view?keywords=10.553&sort=-relevance&index=cfda&is_active=true&page=1)*)*

**(3) Summer Food Service Program for Children (SFSP)**

Objectives:

The United States Department of Agriculture (USDA) operates SFSP in partnership with State agencies and local organizations to provide free meals to eligible children during the summer months and at other approved times when school is not in session. USDA assists States through grants-in-aid and other means to conduct nonprofit food service programs for children through the SFSP.

Use of Assistance:

USDA's Food and Nutrition Service (FNS) makes funds available to States for disbursement to eligible service institutions (sponsors) which provide free meals to children in areas where at least 50 percent of the children meet the income eligibility criteria for free and reduced price meals. Meals may be served to children 18 and younger, and to individuals over 18 who participate in State-approved school programs for persons with disabilities. SFSP generally operates during the months of May through September at site locations where regularly scheduled food services are provided for children. Sites may also participate in SFSP from September through May if an area school is closed because of an emergency situation. Sponsors operating food programs for children on school vacation under a continuous year-round calendar may apply for participation in other months. Reimbursement may be paid for one meal and one snack or two meals to each child each day. Camps and sites primarily serving children of migrant workers may be approved to serve up to three reimbursable meals to each child each day. Meals must meet USDA standards to be eligible for reimbursement. Funds are also paid to participating State agencies for administrative expenses related to program staffing, operation, and oversight.

*(Source:* [*Assistance Listing #10.559 at sam.gov*](https://sam.gov/fal/a583c089b908658762a82a9120764780/view?keywords=10.559&sort=-relevance&index=cfda&is_active=true&page=1)*)*

**(4) Special Milk Program for Children (SMP)**

Objectives:

To provide subsidies to schools and institutions to encourage the consumption of fluid milk by children.

Use of Assistance:

Funds are made available to State agencies to encourage the consumption of fluid milk by children in public and private, nonprofit schools of high school grade and under, public and private, nonprofit nursery schools, child care centers, settlement houses, summer camps, and similar nonprofit institutions devoted to the care and training of children, except Job Corps centers, provided that these schools and institutions do not participate in a meal service program authorized under the National School Lunch Act or the Child Nutrition Act of 1966. The Child Nutrition Amendments of 1986 expanded eligibility to include children in split session kindergarten and pre-kindergarten programs in nonprofit schools and institutions that do not have access to the Federal meal service program operating in schools the children attend. Disbursement to States is made on the basis of the number of half-pints of milk served to non-needy children, using a reimbursement rate specified by law. Milk served free to eligible needy children is reimbursed at the average cost of a half-pint of milk. Please refer to regulations: 7 CFR Part 215 -- Special Milk Program for Children; 7 CFR Part 235 -- State Administrative Expense; 7 CFR Part 245 – Determining Eligibility for Free and Reduced Price Meals and Free Milk in Schools.

*(Source:* [*Assistance Listing #10.556 at sam.gov*](https://sam.gov/fal/57d50d09aa447f5ec2274022132edfaa/view?keywords=10.556&sort=-relevance&index=cfda&is_active=true&page=1)*)*

**(5) Fresh Fruit and Vegetable Program (FFVP)**

Objectives:

To assist States, through cash grants, in providing free fresh fruits and vegetables to elementary schools with high percentages of children who receive free or reduced price meals through the National School Lunch Program.

Use of Assistance:

Under Section 19 of the Richard B. Russell National School Lunch Act, 42. U.S.C. 1769, Fresh Fruit and Vegetable Program funding is available to State agencies through an annual transfer of the Agricultural Marketing Service's Section 32 funds. Selected low-income, public and nonprofit private elementary schools are reimbursed for produce served to school children outside of the National School Lunch Program and School Breakfast Program food service periods. All participating schools must agree to serve fresh fruits and vegetables free to all enrolled children, and to publicize fresh fruit and vegetable availability within the school. Selected schools must be low-income public and nonprofit private elementary schools. Selected schools must serve fresh fruits and vegetables free to all students in selected schools. Selected schools must serve fresh fruits and vegetables outside of the National School Lunch Program and the School Breakfast Program, and must publicize the availability of fresh fruits and vegetables within the school.

*(Source:* [*Assistance Listing #10.582 at sam.gov*](https://sam.gov/fal/2eeb8475f5f348f58dcc1a7381a38144/view)*)*

### Testing Considerations

The 6 cents reimbursement is above and beyond the federal meal reimbursement amounts as declared by USDA annually and is tied to compliance to the new meal patterns. Although USDA has not yet set a calendar date deadline, all SFAs are required to complete the 6 cent certification process. The USDA approved an increase in this reimbursement from 6 cents to 7 cents in school year 2019-2020 and from 7 cents to 8 cents in school year 2022-2023. To facilitate the 8 cents certification process, please reference the following USDA policy memos: SP 31-2012 [revised in SP 44-2012 - <http://www.fns.usda.gov/qas-related-6-cents-certification-tool>, SP 26-2014 <https://www.fns.usda.gov/cn/new-qas-related-certification-compliance-meal-requirements-nslp>, and SP38-2016 <http://www.fns.usda.gov/sites/default/files/cn/SP38-2016os.pdf>

*(Source: Brigette Hires, ODE)*

For Additional information regarding the Healthy, Hunger Free Kids Act of 2010 see <http://www.fns.usda.gov/school-meals/certification-compliance>.

*(Source: US Department of Agriculture)*

***Food Service Management Companies (FSMC)***

*If the auditee utilizes a FSMC, auditors must consider the impact on single audit testing.* [*FSMC Contracts for FY23*](http://ohioauditor.gov/ipa/UniformGuidance/2023/FSMC_Contract_List_FY23.xlsx) *and* [*FSMC Contracts for FY24*](http://ohioauditor.gov/ipa/UniformGuidance/2023/FSMC_Contract_List_FY24.xlsx)*, provided by Ohio Department of Education (ODE), list schools which contract with FSMCs, the FSMC used, contract type, and contract date. If the FSMC is a service organization and performs significant activities subject to compliance requirements, auditors may need to test controls and compliance both at the Entity level and the FSMC level.*

*Depending upon the substance and form of the agreement between the auditee and the FSMC, controls and compliance may need to be tested at the FSMC level for Activities Allowed or Unallowed, Allowable Costs / Cost Principles, Eligibility, Reporting, and/or Special Tests and Provisions.*

### Reporting

*Example SEFA and Footnote shells, the “Single Audit SEFA 2023 Completeness Guide” and additional resources are available for AOS Staff on the Intranet and for IPAs on the* [*IPA Resource Internet Page*](http://www.ohioauditor.gov/references/practiceaids.html)*.*

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and auditors) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Source of Governing Requirements**

The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

Reimbursement for meals served is not based oncosts; it is determined solely by applying the applicable meals times rates formula. For the SFSP, there are separate rate used to calculate reimbursement for operating and administrative costs, however, a sponsor can use its entire reimbursement payment for any combination of allowable operating and administrative costs. For the FFVP, eligible elementary schools may only use the awarded subgrant funds for allowable costs of purchasing, preparing, and serving the fresh fruits and fresh vegetables during school day; these funds may not be used for the service of school meals.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### Additional Program Specific Information

**Unallowable Activities:**

No Federal funding may be used for the acquisition of real property unless specifically permitted by the authorizing statute or implementing regulations for the program (2 CFR 200.311).

*(Source: Ohio Department of Education Office of Federal and State* [*Grants Management Assurances*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Assurances_CCIP_Funding-Application.pdf.aspx?lang=en-US) *#18)*

Ohio Revised Code 3313.24 states, in part: The board of education of each local, exempted village or city school district shall fix the compensation of its treasurer which shall be paid from the general fund of the district.

In spite of any additional duties in managing Federal or State funds, Federal and state law prohibits treasurers from receiving a supplemental contract for managing Federal or State funds.

The Department considers all chief financial officers of educational entities, including but not limited to, non-profit corporations, community schools, colleges and universities to be similarly situated to treasurers of school districts.

*(Source:* [*ODE Treasurer Supplemental Contracts*](https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=1039)*)*

*All operating and administrating costs of the Food Service program are allowable. Therefore, when testing Allowability, auditors should focus on costs not related to the Food Service program. This is an occasion where scanning may be more efficient than sampling. Paragraph 11.17 of the AICPA Single Audit Guide indicates that scanning is an acceptable nonsampling analytical procedure. Auditors must document scanning procedures carefully to ensure the objective, items scanned, and expectations are evident.*

*In addition, SFA’s may not use reimbursements for costs not related to the food service program. Any profits generated from food service operations would be considered program income and applicable to the regulations for Program Income.*

*Schools which contract with a food service management company (FSMC) on a cost-reimbursement basis may receive invoices to be reimbursed which include sales taxes as FSMCs are not tax-exempt. In this situation, schools can reimburse the FSMC for the invoiced costs, including sales taxes.*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
2. Determine whether Federal awards were expended only for allowable activities.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):***Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):***Person(s) responsible for performing the control procedure** *(Title):***Description of evidence documenting the control was applied** *(i.e. sampling unit):* |

### Suggested Substantive Audit Procedures – Compliance

|  |
| --- |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.*Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*2. When allowability is determined based upon summary level data, perform procedures to verify that:a. Activities were allowable.b. Individual transactions were properly classified and accumulated into the activity total.\*3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities. |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
 |

## B. ALLOWABLE COSTS/COST PRINCIPLES

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

*(Source: 2023 OMB Compliance Supplement Part 3)*

*FACCR Section B includes five distinct testing sections, the first of which is always applicable.*

1. *Cost Principles for States, Local Governments, and Indian Tribes – testing guidance and steps included in FACCR, not separate testing document.*

*Auditors* ***must*** *evaluate if additional section(s) are applicable to their Entity, including sources reviewed to verify applicability. For additional sections, auditors must pull the testing section(s) into their working papers and test accordingly.*

*Additional testing sections are located* [***here***](https://ohauditor.sharepoint.com/sites/Intranet/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x0120002FFBFB1F4A3C3F47AE37C7A44E1C1EDE&id=%2Fsites%2FIntranet%2FShared%20Documents%2FAudit%5FResources%2FFederal%2FFACCRs%20and%20IRAFs%2F2023%2FSection%20B%20Addenda&viewid=68cb3ab2%2D567e%2D456a%2D975c%2Da88f3e9c3727)*for AOS auditors and* [***here***](https://ohioauditor.gov/references/practiceaids/faccrs.html) *for IPA auditors.*

1. *De Minimis Indirect Cost Rate*
	1. *This section must be tested if the Entity utilizes the de minimis indirect cost rate to charge indirect costs to the grant, whether as a recipient or subrecipient.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
2. *Allowable Costs – State/Local Government-wide Central Service Costs*
	1. *This section must be tested if the Entity allocated costs to the grant using central service cost allocation plans (CAPs).*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
3. *Allowable Costs – State Public Assistance Agency Costs*
	1. *This section must be tested if the Entity charged state public assistance agency costs to the grant.*
		1. *State public assistance agency costs are defined as (1) all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for service and goods provided directly to program recipients and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP).*
		2. *This may be applicable at the local level if local entities perform procedures to support the State compliance (For example, this may occur with JFS programs)*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
4. *Cost Principles for Nonprofit Organizations*
	1. *This section must be tested if the Entity is a nonprofit organization.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

*The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of the Federal award contracts or grant agreements pertaining to the program.*

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

1. States, local governments and Indian tribes
2. Institutions of higher education (IHEs)
3. Nonprofit organizations

As provided in 2 CFR 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR 200.101(e) (see Appendix I of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR Part 200, Subpart E, but are subject to the requirements [45 CFR Part 75, Appendix IX](http://ohioauditor.gov/ipa/UniformGuidance/2023/45_CFR_Part_75.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR Part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 2 CFR Part 200, Subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR Part 200, Appendices III-VII as follows:

* Appendix III to Part 200—Indirect (F&A) Const Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs)
* Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
* Appendix V to Part 200—State/Local Government-Wide Central Service Cost Allocation Plans
* Appendix VI to Part 200—Public Assistance Cost Allocation Plans
* Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

Except for the requirements identified below under “Basic Guidelines,” which are applicable to all types of non-Federal entities, this compliance requirement is divided into sections based on the type of non-Federal entity. The differences that exist are necessary because of the nature of the non-Federal entity organizational structures, programs administered, and breadth of services offered by some non-Federal entities and not others.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Basic Guidelines**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards;

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.

2. Conform to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E or in the Federal award as to types or amount of cost items.

3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.

4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in 2 CFR Part 200.

6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.

7. Be adequately documented.

**Selected Items of Cost**

2 CFR 200.420 - 200.476 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 2 CFR 200.402 - 200.411.

[List of Selected Items of Cost Contained in 2 CFR Part 200](http://ohioauditor.gov/ipa/UniformGuidance/2023/Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

No Part 4 OMB Program Specific Requirements.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

***Written Procedure Requirements:***

*2 CFR 200.302(b)(7) requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award.*

*2 CFR 200.430 states that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.*

*2 CFR 200.431 requires established written leave policies if the entity intends to pay fringe benefits.*

*2 CFR 200.464(a)(2) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.*

*2 CFR 200.475 requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.*

### Additional Program Specific Information

**Time and Effort**

Federal regulation requires that all employees who are paid with federal funds, in full or in part, retain specific documentation to demonstrate the amount of time personnel spent on grant activities (Time and Effort records). For more information regarding time and effort, click [here](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/2014-002-Time-and-Effort-Guidance.pdf.aspx?lang=en-US).

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 10)*

Under 2 CFR 200.430 Time and Effort is principles based and requires written policies establishing Time and Effort documentation and procedures.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* Be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable and properly allocated;
* Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100 percent of compensated activities.

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 21)*

*Occasionally scanning may be more efficient than sampling. Paragraph 11.17 of the AICPA Single Audit Guide indicates that scanning is an acceptable nonsampling analytical procedure. Auditors must document scanning procedures carefully to ensure the objective, items scanned, and expectations are evident.*

*The cognizant agency for indirect costs means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under 2 CFR 200 on behalf of all Federal agencies. In Ohio, the Secretary of the U.S. Department of Education has delegated this authority to the Ohio Department of Education’s Office of Federal and State Grants Management. All districts recovering indirect costs must have a plan on file with the ODE and an approved indirect cost recovery rate (ICRP). When material indirect costs are charged to a major program, auditors must test the ICRP using the audit procedures below.*

*When testing the ICRP, auditors should review ODE’s “Indirect Cost Recovery Plan For Ohio School Districts”. This document should be available from the LEA or from ODE’s Office of Federal and State Grants Management.*

*Schools which contract with a food service management company (FSMC) on a cost-reimbursement basis may receive invoices to be reimbursed which include sales taxes as FSMCs are not tax-exempt. In this situation, schools can reimburse the FSMC for the invoiced costs, including sales taxes.*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Cost Principles for States, Local Governments and Indian Tribes

### OMB Compliance Requirements

**Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

**Indirect Costs**

*Allocation of Indirect Costs and Determination of Indirect Cost Rates*

1. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
	1. *Simplified Method* – This method is applicable where a governmental unit’s department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in 2 CFR Part 200, Appendix VII, paragraph C.2.
	2. *Multiple Allocation Base Method* – This method is applicable where a governmental unit’s department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to 2 CFR Part 200, Appendix VII, paragraph C.3.)
	3. *Special Indirect Cost Rates* – In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs (e.g., the physical location of the work, the nature of the facilities, or level of administrative support required). (For the requirements for a separate indirect cost rate, refer to 2 CFR Part 200, Appendix VII, paragraph C.4.)
	4. *Cost Allocation Plans* – In certain cases, the cognizant agency for indirect costs may require a state or local government o unit’s department or agency to prepare a CAP instead of an ICRP. These are infrequently occurring cases in which the nature of the department or agency’s federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in0 such cases consists of narrative descriptions of the methods the department or agency uses to allocate indirect costs to programs, awards, or other cost objectives. Like an ICRP, the CAP either must be submitted to the cognizant agency for indirect cost for review, negotiation, and approval, or retained on file for inspection during audits.

*Submission Requirements*

1. Submission requirements are identified in 2 CFR Part 200, Appendix VII, paragraph D.1. All departments or agencies of a governmental unit claiming indirect costs under federal awards must prepare an ICRP and related documentation to support those costs.
2. A state/local department or agency or Indian tribe that receives more than $35 million in direct federal funding must submit its ICRP to its cognizant agency for indirect costs. Other state/local government departments or agencies that are not required to submit a proposal to the cognizant agency for indirect costs must develop an ICRP in accordance with the requirements of 2 CFR Part 200 and maintain the proposal and related supporting documentation for audit.
3. Where a government receives funds as a subrecipient only, the pass-through entity will be responsible for the indirect cost rate used (2 CFR section 200.331(a)(4)).
4. Each Indian tribe desiring reimbursement of indirect costs must submit its ICRP to the DOI (its cognizant agency for indirect costs).
5. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in 2 CFR Part 200, Appendix VII, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 2 CFR section 200.333(f).

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 2 CFR 200.1\_Cognizant\_Agency.

For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally the Federal agency with the largest value of direct Federal awards (excluding pass-through awards) with a governmental unit or component, as appropriate. In general, unless different arrangements are agreed to by the concerned Federal agencies or described in 2 CFR Part 200, Appendix V, paragraph F, the cognizant agency for central service cost allocation plans is the Federal agency with the largest dollar value of total Federal awards (including pass-through awards) with a governmental unit.

Once designated as the cognizant agency for indirect costs, the Federal agency remains so for a period of 5 years. In addition, 2 CFR Part 200, Appendix V, paragraph F, lists the cognizant agencies for certain specific types of plans and the cognizant agencies for indirect costs for certain types of governmental entities. For example, HHS is cognizant for all public assistance and State-wide cost allocation plans for all States (including the District of Columbia and Puerto Rico), State and local hospitals, libraries, and health districts and the Department of the Interior (DOI) is cognizant for all Indian tribal governments, territorial governments, and State and local park and recreational districts.

*(Source: 2023 OMB Compliance Supplement Part 3)*

#### Audit Objectives and Control Tests: Allowable Costs –– Direct and Indirect Costs

The individual State/local government/Indian tribe departments or agencies (also known as “operating agencies”) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement **under** Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 2 CFR Part 200, Subpart E.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate. The indirect costs include (1) costs originating in the department or agency of the governmental unit carrying out Federal awards, and (2) for States and local governments, costs of central governmental services distributed through the State/local government-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to 2 CFR Part 200, Appendix VII, paragraph B).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

**Audit Objectives: Direct Costs**

1. Determine whether the organization complied with the provisions of 2 CFR Part 200 as follows:
2. Direct charges to federal awards were for allowable costs.
3. Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

**Audit Objectives: Indirect Costs**

1. Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. The methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs (e.g., all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs).
4. Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA).
5. For State/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than $35 million in direct Federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***Additional Control Test Objectives for Written Procedures***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires written policies for the requirements outlined in 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
	+ *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
	+ *2 CFR 200.430 for allowability of compensation costs.*
	+ *2 CFR 200.431 for written leave policies.*
	+ *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
	+ *2 CFR 200.475 for travel reimbursements.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
	+ *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
	+ *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.*
		- *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

#### Suggested Substantive Audit Procedures – Compliance – Direct and Indirect Costs

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.****Direct Costs*** \*Test a sample of transactions for conformance with the following criteria contained in 2 CFR Part 200, as applicable:1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable.
2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 2 CFR 200.407 for selected items of cost that require prior written approval).
3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).

d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 2 CFR Part 200, Subpart E.e. Costs conformed to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E, or in the Federal award as to types or amount of cost items.*While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.j. Costs were adequately documented.***Indirect Costs***a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.(1) Test a sample of transactions for conformance with:(a) The criteria contained in the “Basic Considerations” section of 2 CFR 200.402 - 200.411.(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).*While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*(2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Testing_the_ICRP_discussion.pdf)*)*(1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.(2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR Part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 2 CFR Part 200, Subpart E:(a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR Part 200.(i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).(ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.(iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.(b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR Part 200 and produce an equitable distribution of costs.(i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.(ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.(iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).(c) *Other Procedures* (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 2 CFR 200.430 for additional information on support of salaries and wages.)(ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.(3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:(a) Obtain and read the current ICRA and determine the terms in effect.(b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).(4) *Other Procedures* – No Negotiated ICRA(a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. When the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.(b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.****This box should include results of applicable additional testing sections as determined at the beginning of Section B.***1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## E. ELIGIBILITY

### OMB Compliance Requirements

The specific requirements for eligibility are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in the Supplement, these specific requirements are in Part 4, “Agency Program Requirements,” or Part 5, “Clusters of Programs,” as applicable. This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program and the amounts for which they qualify.

**Source of Governing Requirements**

The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Eligibility for Individuals**

Any child enrolled in a participating school or summer camp, or attending a SFSP meal service site, who meets the applicable program’s definition of “child,” may receive meals under the applicable program. For the NSLP and SBP, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price, set by the SFA, for their meals. Children participating in a SFSP meal service receive their meals at no charge (7 CFR sections 225.15(f), 245.1(a), and 245.3(c); definition of “subsidized lunch (paid lunch)” at 7 CFR section 210.2; and definitions of “camp,” “closed enrolled site,” “open site,” and “restricted open site” at 7 CFR section 225.2).

*a. General Eligibility*

The specific groups of children eligible to receive meals under each program are identified in the respective program’s regulations.

* + 1. *School Nutrition Programs (NSLP and SBP)* – A “child” is defined as (a) a student of high school grade or under (as determined by the state educational agency) enrolled in an educational unit of high school grade or under, including students who are mentally or physically handicapped (as determined by the state) and who are participating in a school program established for the mentally or physically handicapped; (b) a person who has not reached his/her twenty-first birthday and is enrolled in a public or non-profit private residential child care institution; or (c) for snacks served in afterschool care programs operated by an eligible school, a person who is 18 years of age or under, except that children who turn 19 during the school year remain eligible for the duration of the school year ( 42 USC 1766a(b); definition of “child” at 7 CFR sections 210.2 and 220.2).
		2. *SFSP* – A “child” is defined as (a) any person 18 years of age and under; and (b) a person over 18 years of age, who has been determined by the state educational agency or a local public educational agency to be mentally or physically handicapped, and who participates in a public or non-profit private school program established for the mentally or physically handicapped (Definition of “children” at 7 CFR section 225.2).
		3. *SMP* – Schools operating this program use the same definition of “child” that is used in the NSLP and SBP, except for provision (3) under the definition of “child” at 7 CFR section 210.2 regarding snacks served in afterschool care programs. Where the program operates in child-care institutions, as defined in 7 CFR section 215.2, a “child” is any enrolled person who has not reached his/her nineteenth birthday (7 CFR section 215.2).
		4. *FFVP* – Only elementary school-aged children attending eligible elementary schools as defined in section 8101(19) of the Elementary and Secondary Education Act of 1965 (20 USC 7801) per the NSLA section 19 (42 USC 1769a(d)(1)(C)) that also operate the NSLP (42 USC 1769a(d)(1)(A)(i)) are eligible to participate.

*b. Eligibility for Free or Reduced Price Meals or Free Milk*

1. *General Rule: Annual Certification* – A child’s eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child’s household to published income eligibility guidelines. In addition to publishing income eligibility information in the Federal Register, FNS makes it available on the FNS website at <http://www.fns.usda.gov/school-meals/income-eligibility-guidelines>.
	* + 1. *School Nutrition Programs* – Children from households with incomes at or below 130 percent of the federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent but at or below 185 percent of the federal poverty level are eligible to receive reduced price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price (7 CFR sections 245.2, 245.3, and 245.6; section 9(b)(1) of the NSLA (42 USC 1758 (b)(1)); sections 3(a)(6) and 4(e) of the CNA (42 USC 1772(a)(6) and 1773(e))).
			2. *SFSP* – While all SFSP meals are served at no charge, the sponsors of certain types of meal service sites must make individual determinations of eligibility for free or reduced price meals in accordance with 7 CFR section 225.15(f). See III.E.3, “Eligibility - Eligibility for Subrecipients,” for more information.
			3. *SMP* – Eligibility for free milk in SFAs electing to serve free milk is limited to children of households meeting the income eligibility criteria for free meals under the School Nutrition Programs. The SMP has no provision for reduced price benefits (definition of “free milk” at 7 CFR section 215.2, and 7 CFR sections 215.7(b), 245.3, and 245.6).
2. *Direct Certification* – Annual eligibility determinations may also be based on the child’s household receiving benefits under the Supplemental Nutrition Assistance Program (SNAP), Food Distribution Program on Indian Reservations (FDPIR), the Head Start Program (CFDA 93.600) (42 USC 1758(b)(6)(A)), or, under most circumstances, the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558) (42 USC 1758(b)). A household may furnish documentation of its participation in one of these programs; or the school, institution, or sponsor may obtain the information directly from the state or local agency that administers these programs. Certain foster, runaway, homeless, and migrant children are categorically eligible for free school lunches and breakfasts (42 USC 1758(b)(5); 7 CFR section 245.6(b)).
3. *Direct Certification for Children Receiving Medicaid Benefits* – Section 103 of the Healthy, Hunger-Free Kids Act (HHFKA) provided for a series of demonstration projects on conducting direct certification for free school meals for students in households receiving Medicaid benefits. In addition, FNS conducts demonstration projects pursuant to the authority in Section 18(c) of the NSLA, which provides direct certification for free and reduced price meals for students in households receiving Medicaid benefits. These methods use Medicaid data to certify children eligible for free or reduced price school lunches and breakfasts in the states that are currently approved to conduct these demonstration projects. Illinois, Kentucky, New York, and Pennsylvania continue to be approved for Direct Certification Medicaid – Free (DCM-F). California, Florida, Massachusetts, Nebraska, Utah, Virginia, West Virginia, Connecticut, Indiana, Iowa, Michigan, Nevada, Texas, Washington, and Wisconsin are approved for Direct Certification Medicaid – Free/Reduced Price (DCM-F/RP).

For the purpose of these demonstration projects, an eligible child is a child who receives, or lives in the household (as defined in 7 CFR section 245.2) with a child who receives medical assistance under the Medicaid program and is a member of a family with an income, as measured by the Medicaid program, before the application of any expense, block, or other income disregard that does not exceed the NSLP family size and income eligibility standards.

* **Free** school meal eligibility, 130 percent of the Federal Poverty Level (FPL) for the family size used by Medicaid (except for four States from the initial demonstration project that continue to participate under the free only eligibility of 133%)school meal eligibility, 130 percent of the Federal Poverty Level (FPL) for the family size used by Medicaid (except for four States from the initial demonstration project that continue to participate under the free only eligibility of 133%);
* **Reduced** **price** school meal eligibility, 185 percent of the FPL for the family size used by Medicaid.

Households with eligible children directly certified for free meals under the demonstration projects are not required to submit applications for school meal benefits and are not subject to the verification requirements at 7 CFR section 245.6a (42 USC 1758(b)(15)).

1. *Exceptions* – The following are exceptions to the requirement for annual determinations of eligibility for free or reduced price meals and free milk under the Child Nutrition Cluster programs.
2. *Puerto Rico* - Puerto Rico continues to elect the option to provide free meals and milk to all children participating in the School Nutrition Programs, regardless of each child’s economic circumstances. Instead of counting meals and milk by type, they may determine the percentage that each type comprises of the total count using statistical surveys. The survey design must be approved by FNS (7 CFR section 245.4).
3. *Special Assistance Certification and Reimbursement Alternatives* – Special Assistance Certification and Reimbursement Alternatives, provisions 1, 2, 3, and the Community Eligibility Provision (CEP) are authorized by Section 11(a)(1) of the NSLA (42 USC 1759a(a)(1)) and Section 104 of HHFKA. Provision 1 may be used in schools where at least 80 percent of the children enrolled are eligible for free or reduced price meals. Under Provision 1, eligibility determinations for children eligible for free meals under the School Nutrition Programs must be made once every two consecutive school years. Children who qualify for reduced price meals are certified annually (42 USC 1759a(a)(1)(B) and (F); 7 CFR section 245.9(a)).

For provisions 2, 3, and the CEP, extended cycles are allowed for eligibility determinations.

1. *SFSP Open Sites and Restricted Open Sites* – Determinations of individual household eligibility are not required for meals served free at SFSP “open sites” or at restricted open sites. Refer to 3. “Eligibility for Subrecipients,” for information on area eligibility.

*c. Reduced Price Charges for Program Meals*

The SFA sets meal prices. However, the price for a reduced price lunch or breakfast may not exceed $0.40 and $0.30, respectively.

**2. Eligibility for Group of Individuals or Area of Service Delivery -** *Not Applicable*

**3. Eligibility for Subrecipients**

Administering agencies may disburse program funds only to those organizations that meet eligibility requirements. Under the NSLP, SBP, SMP, and FFVP this means the definition of “school food authority” (SFA) as described at 7 CFR sections 210.2, 215.2, and 220.2, respectively. Eligible SFSP organizations are described at 7 CFR section 225.2 under the definition of “sponsor.” Additional organizational eligibility requirements apply to the SFSP, NSLP Afterschool Snacks, and the SBP at the school or site level (see detail below).

* + - * 1. *SFSP* – Federal regulations at 7 CFR section 225.2 define sites in four ways:
1. *Open Sites* – At an open site, meals are made available to all children in the area where the site is located. This area must be one in which poor economic conditions exist (one in which at least 50 percent of the children are from households that would be eligible for free or reduced price school meals under the NSLP and the SBP). Data to support a site’s eligibility may include (a) free and reduced price eligibility data maintained by schools that serve the same area; (b) census data; or (c) other statistical data, such as information provided by departments of welfare and zoning commissions.
2. *Restricted Open Sites* – A restricted open site is one that was initially open to broad community participation, but at which the sponsor has restricted attendance for reasons of safety, security, or control. A restricted open site must serve an area in which poor economic conditions exist, and its eligibility may be documented with the same kinds of data listed above for open sites.
3. *Closed Enrolled Sites* – A closed enrolled site makes meals available only to enrolled children, as opposed to the community at large. Its eligibility is based not on serving an area where poor economic conditions exist, but on the eligibility of enrolled children for free or reduced price school meals. At least 50 percent of enrolled children must be eligible for free or reduced price school meals. The sponsor must determine their eligibility through the application process described at 7 CFR section 225.15(f).
4. *Camps* – Eligible camps include residential summer camps and nonresidential day camps that offer regularly scheduled food service as part of organized programs for enrolled children. A camp need not serve an area where poor economic conditions exist. Instead, the camp’s sponsor must determine each enrolled child’s eligibility for free SFSP meals through the application requirements at 7 CFR sections 225.15(e) and (f). Unlike other sponsors, the sponsor of a camp receives reimbursement only for meals served to children eligible for free or reduced price school meals (7 CFR section 225.14(d)(1)).
	* + - 1. *SBP* – Severe Need Schools – In addition to the national average payment, FNS makes additional payments for breakfasts served to children qualifying for free or reduced price meals at schools that are in severe need. The administering agency must determine whether a school is eligible for severe need reimbursement based on the following eligibility criteria: (1) the school is participating in or desiring to initiate a breakfast program, and (2) 40 percent or more of the lunches served to students at the school in the second preceding school year under the NSLP were served free or at a reduced price. Administering agencies must maintain on file, and have available for reviews and audits, the source of the data to be used in making individual severe need determinations (42 USC 1773(d); 7 CFR section 220.9(d)).
				2. *NSLP* – Afterschool Snacks – Reimbursement for afterschool snacks is made available to those school districts which (1) operate the NSLP in one or more of their schools and (2) sponsor or operate afterschool care programs with an educational or enrichment purpose. In the case of snacks served at an eligible site located in the attendance area of a school in which at least 50 percent of the enrolled children are certified eligible for free and reduced price school meals, all snacks are served free and are reimbursed at the free rate regardless of individual eligibility. Schools and sites not located in such an area may also participate, but they must count and claim snacks as free, reduced price and paid, depending on the eligibility status of the children served, and they must maintain documentation of eligibility for children receiving free or reduced price snacks (42 USC 1766a).
				3. *FFVP* – Funding is awarded as a subgrant from the State agency only to eligible elementary schools as defined in section 8101(19) of the Elementary and Secondary Education Act of 1965 (20 USC 7801) per NSLA section 19 (42 USC 1769a(d)(1)(C)) that also operate the NSLP (42 USC 1769a(d)(1)(A)(i)) and are eligible to participate.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### Additional Program Specific Information

*See FACCR Section N. Verification of Free and Reduced Price Applications (NSLP) for additional detailed requirements related to the eligibility verification.*

**Flexibility in Determining Effective Date of Eligibility**

Children are eligible for free or reduced price meal benefits on the date their eligibility is determined; however, flexibility exists to allow LEAs to move the effective date of eligibility to an earlier date under certain circumstances. This applies to both traditional household applications and direct certification. An LEA electing to exercise this flexibility must notify its State agency. LEAs using this flexibility must do so consistently for all children, in all schools.

* **Flexibility for Household Applications:** LEAs may establish the date of submission of an application as the effective date of eligibility, rather than the date the official approves the application. This flexibility applies only to complete applications containing all required information at the time of submission. LEAs may use this flexibility when processing household income applications, as well as when waiting for documentation of other source categorical eligibility (e.g., for homeless or migrant children) indicated on a household application. See SP 11-2014: *Effective Date of Free or Reduced Price Meal Eligibility Determinations,* <http://www.fns.usda.gov/effective-date-free-or-reduced-price-meal-eligibility-determinations>.
* **Flexibility in Data Matching**: LEAs using automated data matching may establish the effective date of eligibility as the date of the automated data matching (or benefit recipient file from another agency) which first identifies the child as eligible for direct certification, rather than the date the LEA accesses and processes the automated data matching file into the local point of service system. To be used for this purpose, the data file must be generated and received by the LEA in the current school year. See SP 51-2014: *Eligibility Effective Date for Directly Certified Students,* <http://www.fns.usda.gov/eligibility-effective-date-directly-certified-students>.
* **Flexibility in the Letter Method:** Letters, lists, or other forms of documentation may be used to directly certify children as members of households that participate in TANF, FDPIR, and Other Source Categorically Eligible Programs. LEAs using this flexibility may consider the effective date of eligibility for benefits to be the date the household or appropriate State or local agency submitted the letter, list, or other form of documentation to the LEA, rather than the date the school official approves the documentation. The flexibility in determining the effective date of eligibility also applies to the letter method of documentation from SNAP. See SP 51-2014: *Eligibility Effective Date for Directly Certified Students,* <http://www.fns.usda.gov/eligibility-effective-date-directly-certified-students>.

LEAs using this flexibility must document the effective date used. Documentation may include:

* A method to document the date the application was received;
* A date stamp indicating the date letters or lists from other agencies are received by the LEA; or
* The documented, traceable run date of automated match files or recipient benefit files from another appropriate agency.

LEAs adopting this flexibility must refund any money paid by or on behalf of the child for reimbursable meals or milk during the period from the effective date through the date the certification is actually implemented at the local school. This includes forgiving accrued debt for any meals or milk adjusted to free or reduced price due to the change in effective date. The LEA can only claim those meals or milk at the free or reduced price reimbursement rate if the child is given a refund or the debt is discharged. If categorical eligibility is based on SNAP, TANF, or FDPIR, the flexibility applies to all children in the household, and all children must be given refunds in order for the LEA to claim reimbursable meals or milk served to those children at the free rate.

*(Source:* [*U.S Department of Agriculture (USDA) Eligibility Manual for School Meals,*](https://fns-prod.azureedge.us/sites/default/files/cn/SP36_CACFP15_SFSP11-2017a1.pdf) *p.53-54)*

**Poverty Guidelines:**

USDA’s annual adjustments to the [Income Eligibility Guidelines (IEGs)](https://www.fns.usda.gov/cn/income-eligibility-guidelines) are used in determining eligibility for free and reduced price meals or free milk.

These guidelines are used by schools, institutions, and facilities participating in the National School Lunch Program (and Commodity School Program), School Breakfast Program, Special Milk Program for Children, Child and Adult Care Food Program and Summer Food Service Program. The annual adjustments are required by section 9 of the National School Lunch Act.

They are effective from July 1 through June 30 every year.

*(Source: School Meals* [*Income Eligibility Guidelines*](https://www.fns.usda.gov/cn/income-eligibility-guidelines) *website)*

In making eligibility determinations, schools and institutions should utilize the applicable years Income Eligibility Guidelines (IEGs) to make such determination. Such determinations shall be effective for the certification period set forth in the applicable program’s regulations (e.g., for school programs, from the date of approval through the remainder of the current school year and up to 30 operating days of the following school year).

[Eligibility Manual](https://fns-prod.azureedge.us/sites/default/files/cn/SP36_CACFP15_SFSP11-2017a1.pdf)

*(Source: U.S. Department of Agriculture)*

**State of Ohio**

The United States Department of Agriculture (USDA) requires all LEAs who collect Free and Reduced Price Student Meal Applications to complete the Direct Certification process three times a year. USDA suggests that the process should be conducted at the following intervals:

* At or around the beginning of the school year (must occur after July 1st to count for the 2023 school year);
* Three months after the initial effort; and
* Six months after the initial effort.

*(Source:* [*ODE Direct Certification 2022-2023 Manual*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Nutrition_Cluster_Direct-Certification-Manual-6.17.2022.pdf) *p.4)*

All sponsors using free and reduced-price applications for meal eligibility determinations are required to complete the direct certification process three times per school year. The completion date of the first direct certification match process for the school year is captured when a sponsor completes an NSLP sponsor application form via the CRRS, but sponsors are not required to report to ODE the dates of the two subsequent matches. However, sponsors must maintain all direct certification documentation, including direct certification match result reports, for three years plus the current school year for auditing purposes.

*(Source:* [*ODE Direct Certification 2022-2023 Manual*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Nutrition_Cluster_Direct-Certification-Manual-6.17.2022.pdf) *p.23)*

Detailed information regarding requirements, sample sizes, and the overall verification process can be found in Section 6 of the [U.S Department of Agriculture (USDA) Eligibility Manual for School Meals](https://fns-prod.azureedge.us/sites/default/files/cn/SP36_CACFP15_SFSP11-2017a1.pdf).

*(Source:* [*U.S Department of Agriculture (USDA) Eligibility Manual for School Meals*](https://fns-prod.azureedge.us/sites/default/files/cn/SP36_CACFP15_SFSP11-2017a1.pdf)*)*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required eligibility determinations were made (including obtaining any required documentation/verification), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program.

3. Determine whether subawards were made only to eligible subrecipients.

4. Determine whether amounts provided to or on behalf of eligible participants or groups of participants were calculated in accordance with program requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*1. *Eligibility for Individuals* a. For some Federal programs with a large number of people receiving benefits, the non-Federal entity may use a computer system for processing individual eligibility determinations and delivery of benefits. Often these computer systems are complex and will be separate from the non-Federal entity’s regular financial accounting system. Typical functions that a computer system used for determining eligibility may perform are:- Perform calculations to assist in determining who is eligible and the amount of benefits- Pay benefits (e.g., write checks)- Maintain eligibility records, including information about each individual and benefits paid to or on behalf of the individual (regular payments, refunds, and adjustments)- Track the period of time during which an individual is eligible to receive benefits, i.e., from the beginning date of eligibility through the date when those benefits stop, generally at the end of a predetermined period, unless there is a redetermination of eligibility - Perform matches with other computer databases to verify eligibility (e.g., matches to verify earnings or identify individuals who are deceased)- Control who is authorized to approve benefits for eligible individuals (e.g., an employee may be approving benefits on-line and this process may be controlled by passwords or other access controls)- Produce exception reports indicating likely errors that need follow-up (e.g., when benefits exceed a certain amount, would not be appropriate for a particular classification of individuals, or are paid more frequently than normal)Because of the diversity of computer systems, both hardware and software, it is not practical for this Supplement to provide suggested audit procedures to address each system. However, generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. Similarly, when eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the non-Federal entity’s computer processing. The auditor should perform audit procedures relative to the computer system for eligibility as necessary to support the opinion on compliance for the major program. Due to the nature and controls of computer systems, the auditor may choose to perform these tests of the computer systems as part of testing the internal controls for eligibility.b. *Split Eligibility Determination Functions*(1) *Background* – Some non-Federal entities pay the Federal benefits to the eligible participants but arrange with another entity to perform part or all of the eligibility determination. For example, a State arranges with local government social services agencies to perform the “intake function” (e.g., the meeting with the social services client to determine income and categorical eligibility) while the State maintains the computer systems supporting the eligibility determination process and actually pays the benefits to the participants. In such cases, the State is fully responsible for Federal compliance for the eligibility determination, as the benefits are paid by the State. Moreover, the State shows the benefits paid as Federal awards expended on the State’s Schedule of Expenditures of Federal Awards. Therefore, the auditor of the State is responsible for meeting the internal control and compliance audit objectives for eligibility. This may require the auditor of the State to perform, coordinate, or arrange for additional procedures to ensure compliant eligibility determinations when another entity performs part of the eligibility determination functions. The responsibility of the auditor of the State for auditing eligibility does not relieve the auditor of the other entity (e.g., local government) from responsibility for meeting those internal control and compliance audit objectives for eligibility that apply to the other entity’s responsibilities. An exception occurs when the auditor of the other entity confirms with the auditor of the State that certain procedures are not necessary.(2) Ensure that eligibility testing includes all benefit payments regardless of whether another entity, by arrangement, performs part of the eligibility determination functions. c. Perform procedures to ascertain if the non-Federal entity’s records/database includes all individuals receiving benefits during the audit period (e.g., that the population of individuals receiving benefits is complete).d. Select a sample of individuals receiving benefits and perform tests to ascertain if (1) The required eligibility determinations and redeterminations, (including obtaining any required documentation/verifications) were performed and the individual was determined to be eligible in accordance with the compliance requirements of the program. (Note that some programs have both initial and continuing eligibility requirements and the auditor should design and perform appropriate tests for both. Also, some programs require periodic redeterminations of eligibility, which should also be tested.)(2) Benefits paid to or on behalf of the individuals were calculated correctly and in compliance with the requirements of the program.(3) Benefits were discontinued when the period of eligibility expired.e. In some programs, the non-Federal entity is required to use a quality control process to obtain assurances about eligibility. Review the quality control process and perform tests to ascertain if it is operating to effectively meet the objectives of the process and in compliance with applicable program requirements.2. *Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable* 3. *Eligibility for Subrecipients**This step is designed to test eligibility of the auditee’s subrecipients.*a. If the determination of eligibility is based upon an approved application or plan, obtain a copy of this document and identify the applicable eligibility requirements.b. Select a sample of the awards to subrecipients and perform procedures to verify that the subrecipients were eligible and amounts awarded were within funding limits. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## I. PROCUREMENT AND SUSPENSION AND DEBARMENT

### OMB Compliance Requirements – Procurement

***Procurement—Grants and Cooperative Agreements***

*Non-Federal Entities Other than States*

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR 200.317 - 200.327. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-Federal entity must:

1. Meet the general procurement standards in 2 CFR 200.318, which include oversight of contractors’ performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.

2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR 200.319.

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed $10,000 ($2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold ($250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR 200.320(b)).

4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR 200.320(b); the competitive proposals method under the conditions specified in 2 CFR 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR 200.320(c).

5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR 200.324(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR 200.324(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.326. These provisions are described in Appendix II to 2 CFR Part 200, “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

*All Non-Federal Entities (including both states and other non-federal entities)*

Effective May 14, 2022, the non-Federal entity must ensure that all applicable programs comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project. Each covered Federal agency must ensure that “none of the funds made available for a Federal financial assistance program for infrastructure may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States. The Act requires the following Buy America preference:

1. All iron and steel used in the project are produced in the United States;

2. All manufactured products used in the project are produced in the United States; and

3. All construction materials are manufactured in the United States.

Important Notes:

• A non-federal entity must comply with the BABA requirements to the extent that the non-federal entity has been informed of these requirements, such as through the award terms and conditions.

• Several Federal agencies, in consultation with OMB, issued “waivers” as an exception from or waiver of the Made in America laws. For a listing of waivers by agency see <https://www.madeinamerica.gov/waivers/financial-assistance>. For a listing of waivers by category see <https://www.madeinamerica.gov/waivers>. If additional information is needed, see the agency contact found in Appendix III.

***Procurement—Cost-Reimbursement Contracts under the Federal Acquisition Regulation***

When awarding subcontracts, non-Federal entities receiving cost-reimbursement contracts under the Federal Acquisition Regulation (FAR) must comply with the clauses at [48 CFR 52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf) (consent to subcontract), [52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf) (competition), [52.203-13](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-13.pdf) (code of business ethics), [52.203-16](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-16.pdf) (conflicts of interest), and [52.215.12](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.215-12.pdf) (cost or pricing data); and the terms and conditions of the contract. The FAR defines “subcontracts” as a contract, i.e., a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.

**Source of Governing Requirements – Procurement**

The requirements that apply to procurement under grants and cooperative agreements are contained in 2 CFR 200.317 - 200.327, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements that apply to procurement under cost-reimbursement contracts under the FAR are contained in 48 CFR Parts [03](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_3.pdf), [15](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_15.pdf), [44](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_44.pdf) and the clauses at [48 CFR 52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf), [52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf), [52.203-13](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-13.pdf), [52.203-16](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-16.pdf), and [52.215-12](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.215-12.pdf); agency FAR Supplements; and the terms and conditions of the contract.

*(Source: 2023 OMB Compliance Supplement Part 3)*

### OMB Compliance Requirements – Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in [2 CFR 180.220](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf). All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in [2 CFR 180.215](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf).

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in [2 CFR 180.995](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf) and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at [SAM.gov | Home](https://www.sam.gov/) (click on Search Record, then click on Advanced Search-Exclusions) (**Note:** The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity ([2 CFR 180.300](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf)).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at [48 CFR 52.209-6](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.209-6.pdf) before entering into a subcontract that will exceed $30,000, other than a subcontract for a commercially available off-the-shelf item.

**Source of Governing Requirements – Suspension and Debarment**

The requirements for nonprocurement suspension and debarment are contained in OMB guidance in [2 CFR Part 180](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf), which implements Executive Orders 12549 and 12689, “Debarment and Suspension;” Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR Part 180; program legislation; and the terms and conditions of the award.

Most of the Federal agencies have adopted or implemented 2 CFR Part 180, generally by relocating their associated agency rules in Title 2 of the CFR. [Appendix II](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Appendix_II.pdf) to the Supplement includes the current CFR citations for all agencies adoption or implementation of the nonprocurement suspension and debarment guidance.

Government-wide requirements related to suspension and debarment and doing business with suspended or debarred subcontractors under cost reimbursement contracts under the FAR are contained in [48 CFR 9.405-2(b)](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_9.405-2.pdf) and the clause at [48 CFR 52.209-6](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.209-6.pdf).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

*1. Procurement*

* 1. A prospective contractor that develops or drafts specifications, requirements, statements of work, invitations for bids, requests for proposals, contract term and conditions, or other documents for use by a state under this program shall be excluded from competing for such procurements. Such prospective contractors are ineligible for contract awards resulting from such procurements regardless of the procurement method used. However, prospective contractors may provide states with specification information related to a state procurement and still compete for the procurement if the state, and not the prospective contractor, develops or drafts the specifications, requirements, statements of work, invitations for bid, and/or requests for proposals used to conduct the procurement (2 CFR 200.319(b) and 416.1(a)).
	2. Procurements by states under this program shall be conducted in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographic preferences except as provided for in 2 CFR section 200.319(b) (2 CFR section 416.1(b)).
	3. Notwithstanding the requirements noted in paragraph 1.b above, an SFA, institution, or sponsor operating one or more Child Nutrition Cluster programs may use a geographical preference for the procurement of unprocessed agricultural products, both locally grown and locally raised (7 CFR sections 210.21(g), 215.14a(e), 220.16(f), 225.17(e) and 226.22(n)).

*2. Before Award*

Before awarding a contract to a food service management company, or amending such a contract, an SFA operating the NSLP and SBP and sponsors operating the SFSP must: (1) obtain its administering agency’s review and approval of the contract terms; (2) incorporate all changes required by the administering agency; (3) obtain written administering agency approval of any changes made by the SFA or sponsor or its food service management company to a pre-approved prototype contract; and (4) when requested, submit procurement documents for administering agency inspection (7 CFR sections 210.16(a)(10), 210.19(a)(5), 220.7(d)(1)(ix), and 225.15(m)(4)).

3. SFAs must, to the maximum extent practicable, purchase commodities produced in the United States and food products processed in the United States substantially using commodities produced in the United States 7 CFR section 210.21(d). For SFAs to comply with Section 12(n) of the NSLA, 42 USC 1760(n) and Program regulations at 7 CFR section 210.21(d), all food solicitations should include terms that require contractors to respond with prices and award contracts to responsive bidders and offerors to supply domestic foods and food products that comply with 7 CFR 210.21(d). Food suppliers include distributors, meal vendors, food service management company contracts, and processors of USDA Foods.

*4. Cost-Reimbursable Contracts*

The cost-reimbursable contract provisions below apply to all cost-reimbursable contracts awarded by SFAs. This contract type is often awarded to distributors of perishable and non-perishable foods and food products, produce, milk, bread, food service management companies, processors of USDA Foods, and labor surplus firms.

1. Cost-reimbursable contracts awarded by SFAs operating the NSLP, SMP, and SBP, including contracts with cost-reimbursable provisions and solicitation documents prepared to obtain offers of such contracts, must include the following provisions:
2. Allowable costs will be paid from the nonprofit school food service account to the contractor net of all discounts, rebates, and other applicable credits accruing to or received by the contractor or any assignee under the contract, to the extent those credits are allocable to the allowable portion of the costs billed to the SFA.
3. Billing documents submitted by the contractor will either separately identify allowable and unallowable portions of each cost or include only allowable costs and a certification that payment is sought only for such costs.
4. The contractor’s determination of its allowable costs must be made in compliance with applicable departmental and program regulations and the OMB cost principles.
5. The contractor must identify the amount of each discount, rebate, and other applicable credit on bills and invoices presented to the SFA for payment and individually identify the amount as a discount, rebate, or in the case of other applicable credits, the nature of the credit. If approved by the state agency, the SFA may permit the contractor to report this information on a less frequent basis than monthly, but no less frequently than annually.
6. The contractor must identify the method by which it will report discounts, rebates, and other applicable credits allocable to the contract that are not reported prior to conclusion of the contract.
7. The contractor must maintain documentation of costs and discounts, rebates, and other applicable credits, and must furnish such documentation upon request to the SFA, the state agency, or the USDA (7 CFR section 210.21(f)).
8. Costs resulting from a cost-reimbursable contract may not be paid from the SFA’s nonprofit school food service account if (a) the underlying contract does not include the provision in paragraph a.(1) above; or (b) such disbursement would result in the contractor receiving payments in excess of the contractor’s actual, net allowable costs (7 CFR sections 210.21(f)(2), 215.14a(d)(2), and 220.16(e)(2)).

*5. Suspension and Debarment*

Entitlement or mandatory awards required by statute that pass-through entities to subrecipients are excluded from the suspension and debarment rules (2 CFR section 417.215(a)(1)).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

***Written Procedure Requirements:***

*2 CFR 200.318(c)(1) requires non-Federal entities maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.*

*2 CFR 200.318(c)(2) requires non-Federal entities maintain written standards of conduct covering organizational conflicts of interest when the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe.*

*2 CFR 200.320(b)(2) requires non-federal entities to have a written method for conducting technical evaluations of the competitive proposals received and for selecting contract recipients.*

*2 CFR 200.319(d) requires non-federal entities to have written procedures for procurement transactions to ensure all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.*

### Additional Program Specific Information

The United States Department of Agriculture published a final rule entitled Procurement Requirements for the National School Lunch, School Breakfast and Special Milk Programs, on October 31, 2007, updated January 28, 2008, which is available at <https://fns-prod.azureedge.us/sites/default/files/cn/SP09-2008os.pdf>

USDA Procurement Regulations are available at <https://www.fns.usda.gov/cfs/usda-procurement-regulations>.

Procurement Fee Allowability in School Food Authority Contracts <https://fns-prod.azureedge.us/sites/default/files/cn/SP15-2008os.pdf>

The Contracting with Food Service Management Companies manual provides guidance for contracts between School Food Service Authorities and Management Companies. <http://www.fns.usda.gov/sites/default/files/cn/SP40_CACFP12_SFSP14-2016a2.pdf>

Guidance on Competitive Procurement Standards for Program Operators <http://www.fns.usda.gov/sites/default/files/cn/SP12_CACFP05_SFSP09-2016os.pdf>

Procuring Local Meats, Poultry, Game, and Eggs for Child Nutrition Programs <http://www.fns.usda.gov/sites/default/files/cn/SP01_CACFP%2001_SFSP01-2016os.pdf>

Federal Micro-Purchase and Simplified Acquisition Thresholds <https://www.fns.usda.gov/cn/updates-federal-micro-purchase-threshold>.

*(Sources: US Department of Agriculture)*

**State of Ohio**

**Food Procurement**

* Current food procurement templates are available in the Claims Reimbursement and Reporting System. Go to "Applications", then "Download forms".

*(Source: Ohio Department of Education NSLP Food* [*Procurement Tools*](http://education.ohio.gov/Topics/Other-Resources/Food-and-Nutrition/National-School-Lunch-Program)*)*

Procurement with [Food Service Management Companies](http://education.ohio.gov/Topics/Other-Resources/Food-and-Nutrition/National-School-Lunch-Program/Procurement-with-Food-Service-Management-Companies)

[Ohio USDA Commodity Food Distribution Program](http://education.ohio.gov/Topics/Other-Resources/Food-and-Nutrition/Community-Distribution-Program)

*(Source: Ohio Department of Education)*

*Local governments may utilize a school food authority (SFA) to provide meals for the summer food service program (SFSP).*

*7 CFR 225.2 defines a food service management company as follows:*

*Food service management company means any commercial enterprise or nonprofit organization with which a sponsor may contract for preparing unitized meals, with or without milk, for use in the Program, or for managing a sponsor's food service operations in accordance with the limitations set forth in § 225.15. Food service management companies may be:*

1. *Public agencies or entities;*
2. *private, nonprofit organizations; or*
3. *private, for-profit companies.*

[*USDA SFSP Sponsor FAQs*](https://www.fns.usda.gov/sfsp/faqs-about-sponsors#6) *include the following guidance:*

1. *How are SFSP meals prepared?*

*A sponsor may prepare its own meals, purchase meals through an agreement with an area school, or contract for meals with a food service management company (vendor).*

*If your site has its own kitchen, you may want to prepare meals yourself. If your kitchen is not on the premises, you may still want to prepare your own meals, and then transport them to the site. Meals that you prepare yourself receive a slightly higher rate of reimbursement. You would receive “self-prep” rates, whether you prepare the meals from scratch or purchase the components and assemble the meals yourself.*

*Many government and private nonprofit sponsors lack the kitchen facilities to prepare meals themselves. In that case, you may arrange to purchase meals from a school or another public or private food supplier with approved meal preparation facilities.*

*Given the guidance above, local school districts do not meet the definition of a FSMC therefore contracts between a local government and a local school district to provide meals for the SFSP are not subject to Uniform Guidance procurement requirements. However, if a local government enters into a contract with a community school they would likely meet the definition of a FSMC and the contract between the community school and local government would be subject to Uniform Guidance procurement requirements.*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514I.

2. Determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to an award or subaward.

3. For covered transactions determine whether the non-federal entity verified that entities are not suspended, debarred, or otherwise excluded.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***Additional Control Test Objectives for Written Procedures:***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires a written policy for the requirements outlined in 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
* *Document whether the non-Federal entity established written procedures consistent with the following requirements:*
	+ *2 CFR 200.318(c)(1) for employee conflicts of interest.*
	+ *2 CFR 200.318(c)(2) for organizational conflicts of interest.*
	+ *2 CFR 200.320(b)(2) for selection and awarding of contracts for competitive proposals.*
	+ *2 CFR 200.319(d) for minimum evaluation criteria for bids and proposals.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
	+ *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
	+ *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.*
		- *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****The local government is required to be in compliance with applicable Federal, state and local procurement requirements regardless of whether the local government procures item(s) itself or relies upon an intergovernmental arrangement with co-op or another entity to procure on its behalf. Auditors need to test procurement files whether they’re from the local government, the co-op, or another entity.*** ***If the District utilizes a purchasing cooperative for their food service program, the District remains responsible for compliance of said purchases and testing over procurement will still need to be performed.*** ***Please see*** [***FSMC Procedures***](http://ohioauditor.gov/ipa/UniformGuidance/2023/FSMC_Procedures.docx) ***for additional guidance on Food Service Management Companies.******AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the Procurement Federal Testing Template available on the Intranet.**Procedure 1 is omitted as it is only applicable to States.**(Procedures 2 – 5 apply to non-Federal entities other than States.)*2. Obtain the entity’s procurement policies and verify that the policies comply with the compliance requirements highlighted above.3. Verify that the entity has written standards of conduct that cover conflicts of interest and govern the performance of its employees engaged in the selection, award, and administration of contracts (2 CFR 200.318(c) and [48 CFR 52.203-13](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-13.pdf) and [52.203-16](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-16.pdf)).4. Ascertain if the entity has a policy to use statutorily or administratively imposed in‑State or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to federally funded procurements except where applicable Federal statutes expressly mandate or encourage geographic preference (2 CFR 200.319(c)).5. Select a sample of procurements and perform the following procedures:**\***a. Examine contract files and verify that they document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price (2 CFR 200.318(i) and [48 CFR Part 44](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_44.pdf) and [52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf)).**\***b. For grants and cooperative agreements, verify that the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR 200.320. Current micro-purchase and simplified acquisition thresholds can be found in the FAR (48 CFR Subpart 2.1, “Definitions”) \*c. Verify that procurements provide full and open competition (2 CFR 200.319 and [48 CFR 52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf)).d. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (2 CFR 200.319 and 200.320(c) and [48 CFR 52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf)).**\***e. Ascertain if cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold, including contract modifications, and that this analysis supported the procurement action (2 CFR 200.324 and [48 CFR 15.404-3](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_15.404-3.pdf)).  OMB Note: A cost or price analysis is required for each procurement action, including each contract modification, when the total amount of the contract and related modifications is greater than the simplified acquisition threshold.f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract under the FAR ([48 CFR 52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf)). OMB Note: If the non-Federal entity has an approved purchasing system, consent to subcontract may not be required unless specifically identified by contract terms or conditions. The auditor should verify that the approval of the purchasing system is effective for the audit period being reviewed. *The Federal Acquisition Regulations (FAR) defines cost-reimbursement contracts in 48 CFR Subpart 16.3. Cost-reimbursement contracts are contracts which establish an estimate of total costs (or a ‘ceiling’) which a contractor may not exceed (except at its own risk) without the approval of a contracting officer. Cost-reimbursement contracts are only allowable when the circumstances described in 48 CFR 16.301-3 have been met.**(Procedures 6 and 8 apply to all non-Federal entities)*6. Review the non-Federal entity’s procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR 200.213 and 200.318(h); [2 CFR 180.300](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf); [48 CFR 52.209-6](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.209-6.pdf)).**\***7. Select a sample of procurements and subawards and test whether the non-Federal entity followed its procedures before entering into a covered transaction.*If an internal control deficiency or noncompliance is noted with Suspension and Debarment requirements, AoS auditors must consult with Legal for an evaluation. IPAs should review the Federal agency adoption of the Suspension and Debarment requirements as well as the specific terms and conditions in the grant agreement to ensure the comment is accurate.*8. Select a sample of procurement agreements for infrastructure projects subject to BABAA and test whether the non-federal entity included the Buy America domestic preference provisions in each agreement, or obtained a BABAA waiver. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## L. REPORTING

### OMB Compliance Requirements

*Financial Reporting*

Recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient’s accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of available documentation.

The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to those for recipients.

The standard financial reporting forms for grants and cooperative agreements are as follows:

* *Request for Advance or Reimbursement (SF-270) (OMB No. 0348-0004))*. Recipients are required to use the SF-270 to request reimbursement payments under non-construction programs, and may be required to use it to request advance payments.
* *Outlay Report and Request for Reimbursement for Construction Programs (SF-271) (OMB No. 0348-0002))*. Recipients use the SF-271 to request funds for construction projects unless they are paid in advance or the SF-270 is used.
* *Federal Financial Report (FFR) (SF-425/SF-425A) (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Electronic versions of the standard forms are located on agency’s home page.

Financial reporting requirements for cost reimbursement contracts subject to the Federal Acquisition Regulation (FAR) are contained in the terms and conditions of the contract.

*Performance and Special Reporting*

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR 200.329(c)(1)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting is only included in Part 4, “Agency Program Requirements” and Part 5, “Clusters of Programs,” if such reporting has been identified by a federal agency as subject to audit. Further, compliance testing of performance and special reports is only required for data, identified by agencies in parts 4 and 5 as key line items, that are quantifiable and are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

Performance and special reports in parts 4 and 5 are assumed to meet the above criteria. However, if an agency does not identify key line items for a performance or special report, auditors are only required to test that the report was submitted in a timely manner and no other procedures are required. Similarly, if key line items are identified in parts 4 and 5 that would not be quantifiable and capable of evaluation against objective criteria (e.g., narratives, futuristic information, information that would require verification at the program beneficiary level), auditors are not required to perform testing of such items.

**Federal Funding Accountability and Transparency Act**

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). In accordance with OMB Memorandum M-20-21, Implementation Guidance for Supplementing Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19), existing Transparency Act subaward reporting requirements may be leveraged to meet the transparency requirements outlined in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Information input to FSRS is available at USASpending.gov as the publicly available website for viewing this information (<https://www.usaspending.gov/search>).

Where the Reporting type of compliance requirement is marked as a “Y” in the Part 2 Matrix of Compliance Requirements, indicating it is subject to audit, auditors must test the compliance with the reporting requirements of 2 CFR Part 170 using the guidance in this section when the auditor determines Reporting to be direct and material and the recipient makes first tier awards.

*Federal Funding Accountability and Transparency Act*

Aspects of the Transparency Act that relate to subaward reporting (1) under grants and cooperative agreements were implemented in OMB in 2 CFR Part 170 and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR at 5 FR 39414 et seq., July 8, 2010). The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR Part 170 and the FAR. The guidance at 2 CFR Part 170 currently applies only to federal financial assistance awards in the form of grants and cooperative agreements (e.g., it does not apply to loans made by a federal agency to a recipient), however the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

As provided in 2 CFR Part 170 and FAR Subpart 4.14, respectively, federal agencies are required to include the award term specified in Appendix A to 2 CFR Part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act.

Consistent with the OMB guidance,

• 2 CFR Part 170 “subaward” has the meaning given in 2 CFR 200.1 and means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

• [FAR 52.204-10(a)](http://ohioauditor.gov/ipa/UniformGuidance/2023/FAR_52.204-10.pdf) defines “first-tier subcontract” to mean a subcontract awarded directly by a contractor to acquire supplies or services (including construction) for performance of a prime contract, but excludes the contractor’s supplier agreements with vendors, such as long-term arrangements for materials or supplies that benefit multiple contracts or the costs of which would normally be applied to a contractor's general and administrative expenses or indirect cost.

While 2 CFR Part 170 and the FAR implement several distinct Transparency Act reporting requirements, including reporting of executive compensation, the Supplement addresses only the following requirements: (1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of $30,000 or more in federal funds; and (2) contractor reporting of each first-tier subcontract award of $30,000 or more in federal funds (this requirement was phased in based on the value of the new prime contract as specified below under “Effective Date of Reporting Requirements”).

*Reporting Site*

Grant and cooperative agreement recipients and contractors are required to register FSRS and report subaward data through FSRS. To do so, they will first be required to register in the System for Award Management (SAM) (if they have not done so previously for another purpose (e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in SAM. Information input to FSRS is available at USASpending.gov as the publicly available website for viewing this information (<https://www.usaspending.gov/search> ).

*Key Data Elements*

Compliance testing of the Transparency Act reporting requirements must include the following key data elements about the first-tier subrecipients and subawards under grants and cooperative agreements.

|  |  |
| --- | --- |
| **Subaward Data Element** | **Definition** |
| Subawardee Name | This is the Sub-Awardee’s Name |
| Subawardee DUNS # | The subawardee organization’s nine-digit Data Universal Numbering System (DUNS) number. |
| Amount of Subaward | The net dollar amount of federal funds awarded to thesubawardee including modifications. |
| Subaward Obligation/Action Date | Date the subaward agreement was signed. |
| Date of Report Submission | Date the recipient entered the action/obligation into FSRS. |
| Subaward Number | Subaward number or other identifying number assigned by the prime awardee organization to facilitate the tracking of itssubawards. |
| Subaward Project Description | Describes the subaward project. |
| Subawardee Names and Compensation of HighlyCompensated Officers | Names of officers if thresholds are met. |

For purposes of programs included in parts 4 and 5 of this Supplement, the designation “Not Applicable” in relation to “Financial Reporting,” “Performance Reporting,” and “Special Reporting” means that the auditor is not expected to audit anything in these categories, whether or not award terms and conditions may require such reporting.

**Source of Governing Requirements**

**Reporting requirements are contained in the following:**

1. Financial reporting, 2 CFR 200.328
2. Monitoring and reporting program performance, 2 CFR 200.329
3. Program legislation.
4. Transparency Act, implementing requirements in 2 CFR Part 170 and the FAR, and the previously listed OMB guidance documents.
5. Federal awarding agency regulations.
6. The terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Financial Reporting**

*a. Claims for Reimbursement*

SFAs and sponsors must submit monthly claims for reimbursement for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim (7 CFR sections 210.8, 220.11, 215.10, and 225.15(c)). The state agency has an additional 30 days to submit a consolidated report to FNS (7 CFR 210.5(d), 220.13(b)(2), 215.11(c)(2), and 225.8).

*b. Recordkeeping*

Each month’s claim for reimbursement and all data used in the claims review process must be maintained on file. Accurate records must be maintained justifying all meals claimed and documenting that all Program funds were spent only on allowable Child Nutrition Program costs. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. Records are required to be retained for a period of three years after submission of the final Claim for Reimbursement for the fiscal year. Or, if audit findings have not been resolved, the records must be retained beyond the three-year period as long as required for the resolution of the issues raised by the audit. School food authorities are required to make the information available to the Department and the state agency upon request.

**2. Performance Reporting -** Not Applicable

**3. Special Reporting -** Not Applicable

**4. Special Reporting for Federal Funding Accountability and Transparency Act** – *Not Applicable, FACCR Written for Funding Passed through Ohio Department of Education*

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### Additional Program Specific Information

**Community Eligibility Provision**

To be eligible LEAs must: meet a minimum level (40%) of identified students for free meals in the year prior to implementing the CEP; agree to service free lunches and breakfasts to all students; not collect free and reduced price applications from participating schools, and agree to cover with non-Federal funds any costs of providing free meals to all students above amounts provided in Federal assistance. A CEP fact sheet is available at [https://education.ohio.gov/getattachment/Topics/Student-Supports/Food-and-Nutrition/Resources-and-Tools-for-Food-and-Nutrition/Community-Eligibility-Option/CEP-Fact-Sheet.pdf.aspx?lang=en-US](https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Feducation.ohio.gov%2Fgetattachment%2FTopics%2FStudent-Supports%2FFood-and-Nutrition%2FResources-and-Tools-for-Food-and-Nutrition%2FCommunity-Eligibility-Option%2FCEP-Fact-Sheet.pdf.aspx%3Flang%3Den-US&data=05%7C01%7CAMStidham%40ohioauditor.gov%7C1527f68164b641e518c208da9125e29f%7Cb2e7d3c9fbbc4bee801d2898fdfc7c32%7C0%7C0%7C637981889135153866%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=xGnSudma7khFQhi4%2BrrT4zJYJgGI%2FkLbWBkR257Kak0%3D&reserved=0)

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| **CEP Requirement** | **Annual Deadline** |
| Data Used to Calculate ISP | April 1 |
| LEA Notification | April 15 |
| State Agency Notification | April 15 |
| State Agency Publication | May 1 |
| Elect CEP for SY 2022-2023 | June 30 |

*(Source: US Department of Agriculture and Ohio Department of Education)*

**State of Ohio**

In general, participating organizations file monthly reports on the number of meals/milk served, by type, to claim program funds.  For the NSLP, SBP, SFSP, and SMP, participating organizations must submit final meal/milk claims to the State no later than 45 days after the claiming month.  Districts use the Claims Reimbursement and Reporting System (CRRS) to submit required data and apply for meal reimbursements.

*(Source: Ohio Department of Education)*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| **OMB Note for Direct Awards Only**: For recipients using HHS’ Payment Management System (PMS) to draw Federal funds, the auditor should consider the following steps numbered 1 through 4 as they pertain to the cash reporting portion of the SF-425A, regardless of the source of the data included in the PMS reports. (During FY2016, HHS is completing the transition from pooled payment to use of subaccounts.) Although certain data is supplied by the Federal awarding agency (e.g., award authorization amounts) and certain amounts are provided by HHS’ Payment Management Services, the auditor should ensure that such amounts are in agreement with the recipient’s records and are otherwise accurate. |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*1. Review applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to reporting requirements. Determine the types and frequency of required reports. Obtain and review Federal awarding agency or pass-through entity, in the case of a subrecipient, instructions for completing the reports.a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual).b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data. – *Not Applicable*2. Select a sample of reports and perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:a. Comparing current period reports to prior period reports.b. Comparing anticipated results to the data included in the reports.c. Comparing information obtained during the audit of the financial statements to the reports.3. Select a sample of each of the following report types, and test for accuracy and completeness:a. *Financial reports*(1) Ascertain if the financial reports were prepared in accordance with the required accounting basis. (2) Review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on Federal funds, and reserve funds).(3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records. If reports require information on an accrual basis and the entity does not prepare its accounting records on an accrual basis, determine whether the reported information is supported by available documentation.(4) For any discrepancies noted in SF-425 reports concerning cash status when the advance payment method is used, review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved with the applicable payment system.b. *Performance and special reports – Not Applicable* c. *Special reports for FFATA (Only applicable for direct recipients) – Not Appliable* d. *For each type of report*(1) When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to the data.(2) Test mathematical accuracy of reports and supporting worksheets.4. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## N. SPECIAL TESTS AND PROVISIONS – Verification of Free and Reduced Price Applications (NSLP)

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

By November 15th of each school year, the LEA (or state in certain cases) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st.

A state agency may, with FNS approval, assume from LEAs under its jurisdiction the responsibility for performing the verifications. If the LEA performs the verification function it must be in accordance with instructions provided by the state agency. The LEA must follow up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.

LEAs (or state agencies) must select the sample by one of the following methods:

a. Standard Sample Size. The lesser of 3 percent or 3000 of the approved applications on file as of October 1, selected from error-prone applications. For this purpose, error prone applications are those showing household incomes within $100 monthly or $1,200 annually of the income eligibility guidelines for free and reduced price meals.

b. Alternative Sample Sizes

(1) The lesser of 3 percent or 3,000 applications selected at random from approved applications on file as of October 1 of the school year, or

(2) The sum of (a) the lesser of 1 percent of all applications identified as error-prone or 1,000 error-prone applications, and (b) the lesser of 1/2 of 1 percent of, or 500, approved applications in which the household provided, in lieu of income information, a case number showing participation in the SNAP, TANF, or FDPIR.

(3) The use of alternative sample sizes is available only as follows:

(a) Any LEA may qualify if its non-response rate for the preceding school year’s verification was less than 20 percent, or

(b) An LEA with more than 20,000 children approved by application for free and reduced price meals may qualify if its non-response rate for the preceding year had improved over the rate for the second preceding year by at least 10 percent.

“Non-response rate” is defined as the percentage of approved household applications selected for verification for which the LEA has not obtained verification information (7 CFR section 245.6a(a)).

Sources of information for verification include written evidence, collateral contacts, and systems of records, as described in 7 CFR section 245.6a(b) (42 USC 1758(b)(3)(D) and (H)).

Some LEAs are required to conduct a second review of initial eligibility determinations for free and reduced price school meals and to submit the results of the reviews, including the number of reviewed applications for which the eligibility determinations changed and the type of change made. State agencies are required to submit a report to FNS using the FNS-874, the LEA Second Review of Applications Report (OMB No. 0584-0594). Affected LEAs are those that demonstrated high levels of, or a high risk for, administrative error associated with certification, verification, and other administrative processes (7 CFR section 245.11).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### Additional Program Specific Information

**Eligibility Verification**

Detailed information regarding requirements, sample sizes, and the overall verification process can be found in Section 6 of the [Eligibility Manual for School Meals.](https://www.fns.usda.gov/eligibility-manual-school-meals)

*(Source: US Department of Agriculture)*

*Beginning Verification before October 1*

The NSLA states that verification must be based on a school’s sample size as of October 1 each school year. However, FNS regulations at 7 CFR 245.6a(c)(3) allow LEAs to begin verification once they begin the application approval process for the current school year and have approved applications on file. This means LEAs are not required to wait until October 1 to initiate the verification process, and may instead choose to begin conducting verification once they begin the application approval process for the current school year.

When beginning verification prior to October 1, LEAs must:

* decide how often to sample applications,
* include in each sample pool only applications approved since the last sample was selected, and
* select either 3 percent or 1.5 percent of approved applications, as required by the sampling method, each time.

The minimum requirements outlined at 7 CFR 245.6a(f)(6), (f)(7), and (j) still apply regardless of when the verification process begins. These requirements include one follow-up attempt to contact non-responding households and a 10-day advance notification of a reduction or termination of benefits.

The attachment to [Memo SP 42-2017](https://fns-prod.azureedge.us/sites/default/files/cn/SP42-2017os.pdf) provides guidance to LEAs choosing to perform verification on a rolling basis in order to ensure all existing requirements regarding sampling method and sample size are met.

*(Source: U.S. Department of Agriculture Memo SP 42-2017 at* [*https://fns-prod.azureedge.us/sites/default/files/cn/SP42-2017os.pdf*](https://fns-prod.azureedge.us/sites/default/files/cn/SP42-2017os.pdf)*)*

*Verification in a Community Eligibility Provision (CEP)*

LEAs participating in CEP do not collect applications and therefore are exempt from verification for the schools electing CEP. LEAs with some, but not all schools electing CEP must still conduct verification in the schools not electing CEP.

*(Source: U.S. Department of Agriculture Memo SP 54-2016 – Community Eligibility Provision: Guidance and Updated Q&As available at* [*https://fns-prod.azureedge.us/sites/default/files/cn/SP54-2016os.pdf*](https://fns-prod.azureedge.us/sites/default/files/cn/SP54-2016os.pdf) *and Ohio Department of Education)*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

1. Determine whether the LEA (or state) selected and verified the required sample of approved free and reduced price applications and made the appropriate changes to eligibility status and, if applicable, properly conducted the second review of applications.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*a. Obtain the current family size and income guidelines published by FNS.b. Through examination of documentation, ascertain that:(1) The sampling and verification of free and reduced price applications were performed, as required, including, if applicable, the second reviews of applications.(2) Changes were made to eligibility status based on documentation and other information obtained through the verification process. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## N. SPECIAL TESTS AND PROVISIONS – Non-Profit School Food Service Accounts

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

An SFA is required to account for all revenues and expenditures of its non-profit school food service in accordance with state and federal requirements. An SFA must operate its food services on a non-profit basis; all revenue generated by the school food service must be used to operate and improve its food services (7 CFR sections 210.14(a), 210.14(c), 210.19(a)(2), 215.7(d)(1), 220.2, and 220.7(e)(1)(i)).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

2. Determine whether a separate accounting is made of the school food service, federal reimbursement payments are correctly credited to the school food service account and transfers out of the school food service account are for allowable costs of the school food service.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*Review the school food service accounting records and ascertain if a separate accounting is made for the school food service.Test federal reimbursement payments received monthly from the administering agency to ascertain if correctly credited to the food service account.Test transfers out of the school food service account and ascertain if the transfers were for the benefit of the school food service. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## N. SPECIAL TESTS AND PROVISIONS – Paid Lunch Equity

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

In Section 767 of Division A of the Consolidated Appropriations Act 2021 (Pub. L. No. 116-260) (the Appropriations Act), Congress provides that only SFAs that had a negative balance in the nonprofit school food service account as of December 31, 2020, shall be required to establish prices for paid lunches according to the Paid Lunch Equity (PLE) provisions in Section 12(p) of the Richard B. Russell National School Lunch Act, 42 USC 1760(p) and implemented in National School Lunch Program regulations at 7 CFR 210.14(e). Any SFA with a positive or zero balance in its nonprofit school food service account as of December 31, 2020, is exempt from PLE requirements found at 7 CFR 210.14(e) for school year (SY) 2021–2022.

SFAs that had a negative balance are required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. An SFA currently charging less for a paid lunch than the difference between the federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as “equity.” There are two ways to meet this requirement: (a) by raising the prices charged for paid lunches; or (b) through contributions from other non-federal sources.

The calculations performed by the SFA to determine whether its paid lunch price requires adjustment are as follows:

Determine the weighted average price of paid lunches. This is determined based on the total number of paid lunches claimed for federal reimbursement for the month of October in the previous school year, at each different price charged by the SFA (7 CFR section 210.14(e)(1)(i)).

Calculate the paid lunch equity requirement, which is the difference between the per meal federal reimbursement for paid and free lunches received by the SFA in the previous school year (7 CFR paragraph 210.14(e)(1)(ii)).

If the paid lunch equity calculated in step b. is higher than the weighted average price the SFA had been charging, calculated in step a., the SFA must increase the average weighted price charged in the previous school year by the sum of 2 percent and the percentage change in the Consumer Price Index for All Urban Consumers. This is the minimum price the SFA should be currently charging for paid lunches (7 CFR paragraph 210.14(e)(3)).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

### Additional Program Specific Information

*Paid Lunch Equity (PLE) Process*

For school year 2022-2023, any school that did not have a negative balance in its food service account as of December 31, 2021 was exempt from paid lunch equity requirements ([USDA policy memo SP 08](https://www.fns.usda.gov/cn/consolidated-appropriations-act-2022)-2022<https://www.fns.usda.gov/cn/consolidated-appropriations-act-2022>)

*(Source: Ohio Department of Education)*

SFAs can also reference USDA policy memo SP 39-2011 (<https://www.fns.usda.gov/guidance-paid-lunch-equity-and-revenue-nonprogram-foods> ) Child Nutrition Reauthorization 2010: Guidance on Paid Lunch Equity and Revenue from Non-program Foods to view common Questions and Answers regarding the paid lunch equity process.

*(Source: U.S. Department of Agriculture)*

*PLE Exemptions*

[Memo SP 08-2022](https://www.fns.usda.gov/cn/consolidated-appropriations-act-2022)– Consolidated Appropriations Act, 2022: Effect on Child Nutrition Programs –

Under Section 752, of Division A of the Appropriations Act, for SY 2022-23, only an SFA that had a negative balance in the nonprofit school food service account as of Dec. 31, 2021, shall be required to establish a price for paid lunches served through the National School Lunch Program (NSLP) in accordance with section 12(p) of the Richard B. Russell National School Lunch Act (42 USC 1760(p)). FNS will be providing additional guidance for SFAs that are required to comply with the paid lunch equity provision during SY 2022-23.

*(Source: U.S. Department of Agriculture)*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

2. Determine whether an SFA has correctly calculated its average paid lunch pricing requirement; correctly applied the calculations to the average paid lunch price; implemented the newly calculated paid lunch price; and received the equity contributions from non-federal sources.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Agriculture, Child Nutrition Cluster)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*Verify the calculations performed by the SFA to determine whether its paid lunch price requires adjustment.Verify that the SFA adjusted its average weighted paid lunch price in accordance with the results of the foregoing calculations and is actually charging students the adjusted price.Ascertain if the SFA met the equity requirement by furnishing additional funds from non-federal sources.If so, verify that the amount provided was sufficient to cover the difference between the amount calculated by the SFA and the amount actually charged for paid lunches. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## Program Testing Conclusion

We have performed procedures sufficient to provide reasonable assurance for federal award program compliance requirements (to support our opinions). The procedures performed, relevant evidence obtained, and our conclusions are adequately documented. (If you are unable to conclude, prepare a memo documenting your reason and the implications for the engagement, including the audit reports.)

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| **Conclusion** |
| **The opinion on this major program should be:** |  |
| **Unmodified:** |  |
| **Qualified (describe):** |  |
| **Adverse (describe):** |  |
| **Disclaimer (describe):** |  |

Per paragraph 13.39 of the **AICPA Single Audit Guide**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(2 CFR 200.516):**

1. Significant deficiencies and material weaknesses in internal control over major programs.
2. Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to a major program.
3. Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. The auditor also must report (in the schedule of findings and questioned costs) known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.
4. Known questioned costs that are greater than $25,000 for programs that are not audited as major.
5. Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs.
6. Significant instances of abuse relating to major programs.
7. The circumstances concerning why the opinion in the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs (for example, a scope limitation that is not otherwise reported as a finding).
8. Instances in which the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with 2 CFR 200.511(b) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[Appendix I](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_200.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR Part 200.

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.34 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or verbally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

* Other deficiencies in internal control over compliance that are not significant deficiencies or material weaknesses required to be reported but, in the auditor's judgment, are of sufficient importance to be communicated to management.
* Noncompliance with federal statutes, regulations or terms and conditions of federal awards related to a major program that does not meet the criteria for reporting under the Uniform Guidance but, in the auditor's judgment, is of sufficient importance to communicate to management or those charged with governance.
* Other findings or issues arising from the compliance audit that are not otherwise required to be reported but are, in the auditor's professional judgment, significant and relevant to those charged with governance.

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| **Cross-reference to any Management Letter items and explain why not included in the Single Audit Compliance Report:** |
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