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Auditor of State

From: Auditor of State's Center for Audit Excellence
To: All IPA Firms
Subject: RE: 2014 Federal Guidance
Date: July 7, 2014

With the release of the 2014 OMB Compliance Supplement, the 2014 FACCR updates have begun! Important federal items to note – with details at the bottom of this e-mail:

- The 2014 FACCR's will be posted to our internet page as they are completed.
- The link to the OMB Compliance Supplements has changed to http://www.whitehouse.gov/omb/financial_fin_single_audit/ - please update your bookmark if you have this marked as a favorite.
- The RSAR has been updated and should soon be posted to our internet page. It is required to be used on all FY 14 audits – see below for significant changes.
- The listing of 2014 clusters is available at http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a133_compliance/2014/pt5.pdf. Please keep in mind that you may not cluster programs together if OMB does not list them as a cluster.
- Significant changes to 2014 FACCR's detailed below including: ODE's new time & effort guidance, MOE clarification, 1512 tests, etc.
- New guidance attached on how to calculate Nutrition Cluster donated commodities figure for the SEFA.
- Supercircular (new A-133, A-87, A-102) effective dates discussed below.

Following are some federal items we would like to update you on for 2014 audits:

- We are in the process of updating the RSAR. The changes will be noted in the yellow box on the first tab, and it must be used on all FY 14 audits. At this point, significant changes include:
 - Whether the program has ARRA expenditures or not, no longer has an effect on major program determination.
 - As you are aware, OMB granted an extension for all FY 2013 audit packages due on or before 3/31/14, until 3/31/14. The FAC filing extension was automatic and no approval was required.
 - Guidance added on prior audit findings for Suspension & Debarment (Section I), based solely on the "principals" test.
- Significant changes that affect multiple 2014 FACCR's –
 - Section B - ODE new time & effort guidance – On 9/7/12 USDE authorized ODE to approve local school districts use of a substitute system of time and

effort reporting for employees whose salaries are supported by multiple cost objectives but who work on a predetermined schedule. ODE approved a substitute system on 3/17/14. Even though the memo was not dated until FY 14 was nearly over, ODE made it effective for all of FY 14. Details included in FACCR and the full ODE memo is available at <http://education.ohio.gov/Topics/Finance-and-Funding/Grants/Grants-Management-Online-Forms>.

- Section G – Clarification on MOE calculation and tests (Special Ed., Title I, etc.) –
 - FY 2014 allocations are affected by the MOE calculation performed in FY 2013.
 - The FY 2013 MOE calculations compare FY 2012 to FY 2011.
 - Therefore for FY 2014, we will test FY 2012 information when performing the applicable steps.
 - Due to this clarification, it is possible that FY 2012 information was tested in a prior audit (if it was a major program). If so, auditors may pull that portion of the testing forward, rather than re-performing the test over the same information.
- Section I – Test 6 – language removed regarding testing “any of its principals” – which was inadvertently added last year by OMB.
- Section L – The ARRA 1512 tests previously in Section L are no longer required to be tested by auditors. All other ARRA tests are still required to be tested, if applicable.
- The Title I ARRA program (84.389) has been removed from the Title I Cluster.
- There are several program specific changes as well; and many other less significant edits to all FACCR’s.
- Supercircular (new A-133, A-87, A-102) –
 - On 12/26/13 OMB issued the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”
 - Several OMB Circulars were rolled into this 1 new “Supercircular” including A-87 (cost principles), A-102 (administrative requirements), & A-133 (audit requirements). Several changes were also made to the guidance.
 - This will be presented in detail at the IPA Conference, but what you need to know for now is the effective dates for non-federal entities:
 - Administrative Requirements & Cost Principles – Applies to new awards and to additional funding to existing awards (funding increments) made after 12/26/14.
 - Audit Requirements – Effective for fiscal years beginning on or after 12/26/14, and cannot be early implemented.
 - FYE 12/31 entities – 1/1/15 – 12/31/15 fiscal year
 - FYE 6/30 entities – 7/1/15 – 6/30/16 fiscal year
 - It is imperative that our clients are educating themselves on this new guidance, as it affects any entity that receives any federal grant (whether they qualify for a single audit or not). Several webinars & trainings have

been offered by various organizations. We are/have been presenting it at several conferences as well, including OASBO, AGA, GFOA, Community School, etc.

Please contact Kelly Berger-Davis at FACCR@ohioauditor.gov with any questions.

- As noted in the FACCR, USDA Memo FD-104 dated 2/18/2010 available at http://www.fns.usda.gov/sites/default/files/pmfd104_NSLP_CACFP_SFSP_CSFP_FDPIR_TEFAP_CI-ValueofFoodsforAudits.pdf contains the requirements to value USDA Donated Foods for Audit. Per the memo:

The distributing agency or recipient agency must consider the value of USDA donated foods as part of the Nutrition Cluster grants as indicated above. There are two steps in accomplishing this:

1. Determining the quantity of each USDA donated food "expended".
 - a. A distributing agency, and a recipient agency in CSFP, TEFAP, or FDPIR, must consider all USDA donated foods distributed or used in a school or fiscal year as expended.
 - b. A recipient agency in NSLP, CACFP, or SFSP, or a charitable institution that receives donated foods in accordance with § 250.67, must consider all USDA donated foods received in a school or fiscal year as expended.
2. Assigning value to the quantity of each USDA donated food "expended".

In accordance with Section 205(g) of OMB Circular A-133 (7 CFR 3052.205(g)), Federal **non-cash assistance, such as USDA donated foods, must be valued at either fair market value (FMV) at the time of receipt, or at the value determined by the Federal agency.** Accordingly, for audit purposes, a distributing or recipient agency **may use either the FMV of donated foods at the time of their receipt or one of the following** donated food valuation methods included in 7 CFR 250.58(e):

- a. The USDA purchase price (cost-per-pound);
- b. The estimated cost-per-pound data provided by the Department; or
- c. **The USDA commodity file cost as of a date specified by the distributing agency**

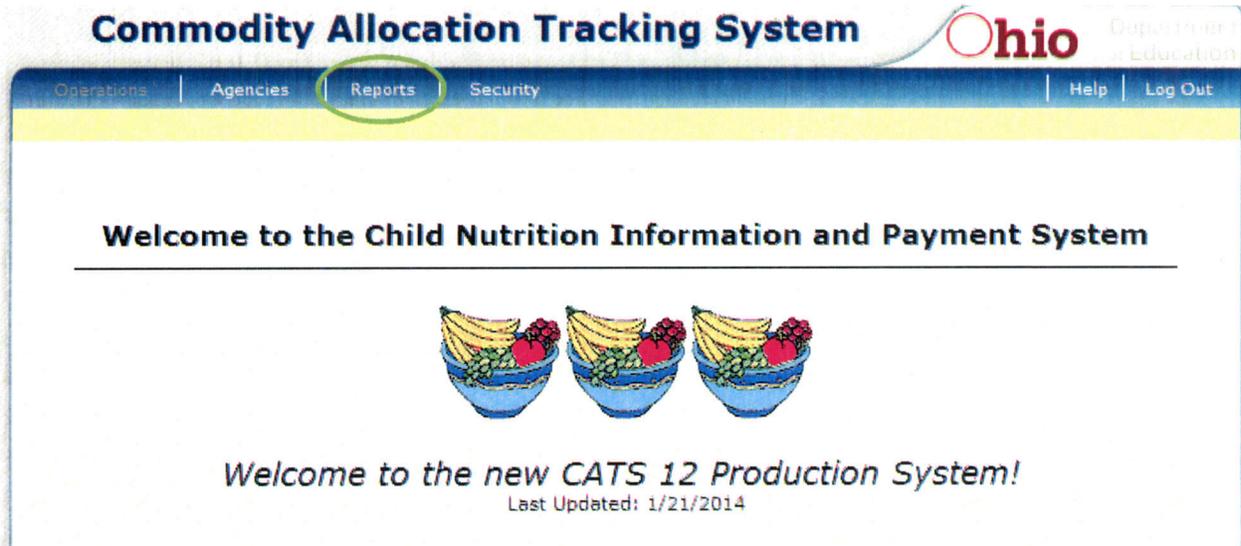
Each distributing or recipient agency must choose a method of valuing donated foods for audit purposes. In most cases, it would probably be easier for a distributing or recipient agency to use one of the options listed in 7 CFR 250.58(e), rather than having to determine the FMV at the time of their receipt. However, in some cases it may be easier to use the FMV. For example, a food bank may provide the FMV of foods (including donated foods) it provides to other food banks or food pantries for distribution, in order to assist them in their audit activities. The use of the FMV for all foods received by food banks or food pantries would provide a measure of accounting consistency for such organizations in conducting audit activities. **Once a distributing or recipient agency has selected a method of assigning value to donated foods, it must use that method consistently in all of its audit activities, and must maintain a record of the means of valuing donated foods for such purpose.**

- Of all entities in Ohio on the National School Lunch Program, about 65% use the CATS system (Commodity Allocation Tracking System). Some entities do not receive commodities at all, and some use other systems, etc.
- In the past, many auditors have used the MR-30 report to test commodities – per ODE, this is not a system derived report – the figures are manually typed in by the District.
- As noted above, schools may select to calculate the FMV of their commodities at the time of receipt, or use the value determined by the Federal agency.
 - If the school participates in the government donated food program and does not utilize the CATS system, you must obtain their support and calculations, and test such.

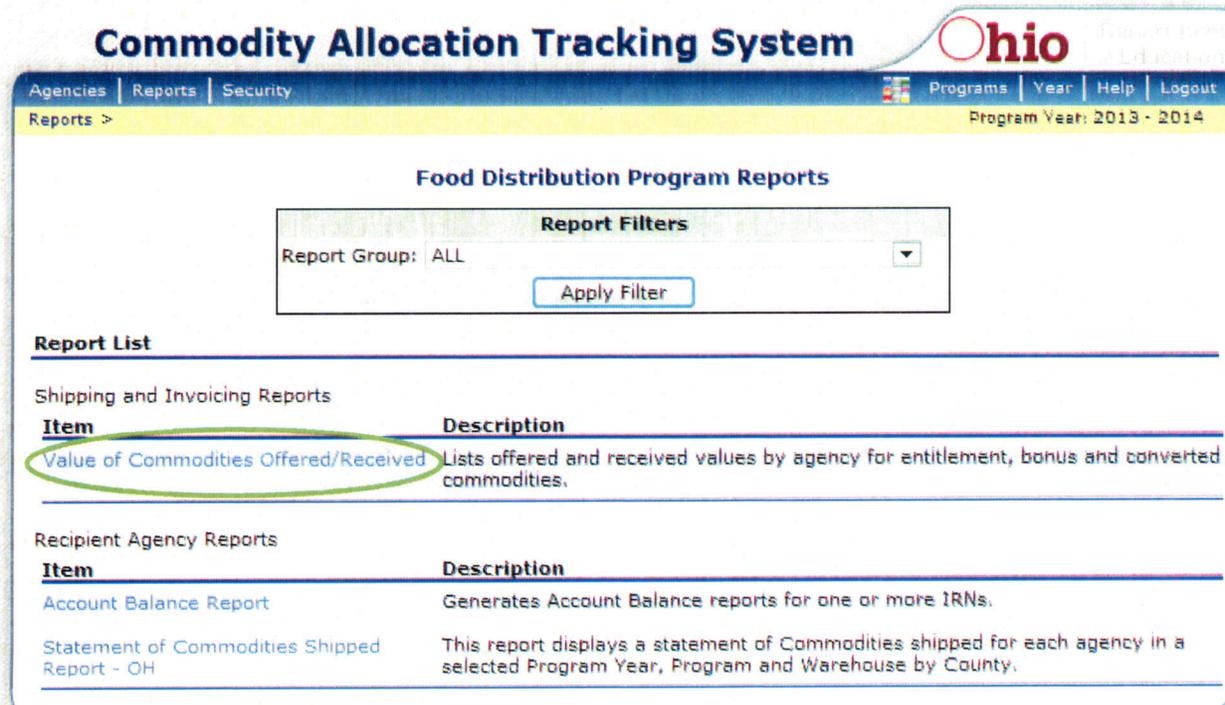
- If the school participates in the government donated food program, utilizes the CATS system, and uses FMV, you must obtain their support and calculations, and test such.
- If the school participates in the government donated food program, utilizes the CATS system and used the value determined by the Federal agency, then ODE uses option c. above “the USDA commodity file cost as of a date specified by the distributing agency” via the CATS system. In February 2014, ODE created a report available in the CATS system to assist clients & auditors in determining this value. The following steps will explain how to obtain this report, as long as the school used the CATS system. The report is available beginning with Fy 2013, and will reflect the information in the system at the time the report is generated.
- In the CATS system, the school can obtain the necessary reports by following these steps. This is also demonstrated on the attachment by clicking on each word that is circled.
 - Upon logging into the CATS system, the client should click on “Reports”, then “Value of Commodities Offered/Received”, then choose your program year, ensure the entity name appears in the “Agency” field and click on “Create Report” – this brings up the “Value of Commodities Offered-Received” report. To obtain the commodity value to report on the Federal Schedule, add the figures under the “Received Entitlement Value” and “Received Bonus Value” columns. (While the “Received Converted Value” column is not currently being utilized, if an amount appears in this column in the future, it would need included as well.)
 - To print this page, click on the drop down arrow next to the words “Select a format”, select “pdf” and click the “export” button.
- PLEASE NOTE:
 - Not all schools receive “bonus commodities”, which are commodities received in addition to their commodity entitlement.
 - Processing charges and S&H charges are not included in the values on this report, as they do not get included in the commodities figure on the SEFA.
 - Some schools were using the *order forms* from the CATS system to calculate the commodities figure. Per ODE, this is not correct, as occasionally schools do not receive everything that they order.
- As a reminder, per §.310(b)(3) of OMB Circular A-133, **auditees** must complete the SEFA and provide total Federal awards expended for each individual federal program. Auditors then audit this information.

(Source: Ray Cook, Assistant Director, ODE Office for Child Nutrition)

After performing the CRRS (Claims Reimbursement and Reporting System) log-on and selecting Commodity Programs, the user will see the Commodity Allocation Tracking System (CATS) welcome page.



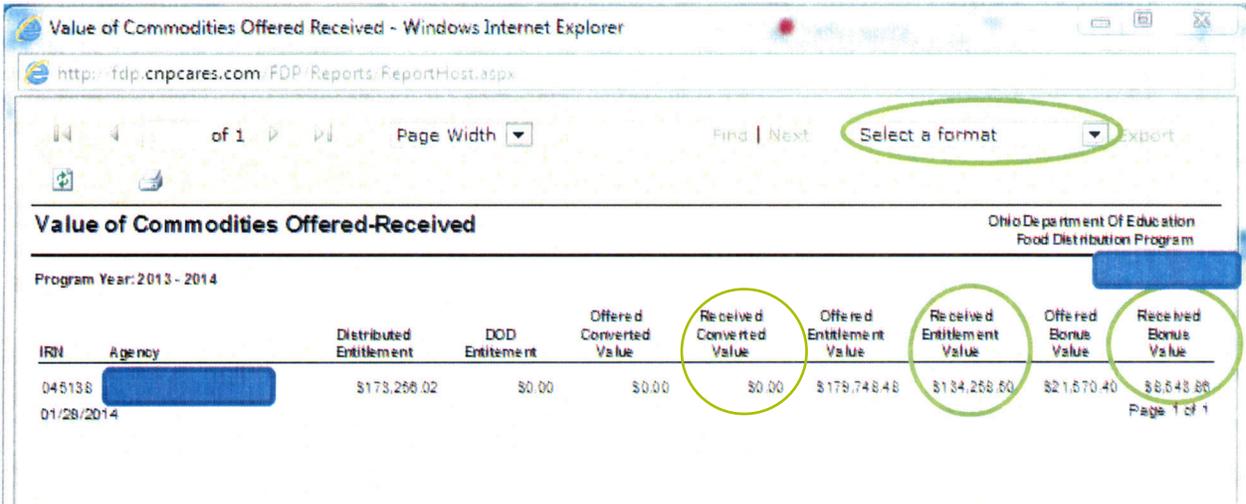
Click on the word "Reports" to open the Food Distribution Program Reports page.



Click on the words "Value of Commodities Offered/Received" to open the Value of Commodities Offered Received page.

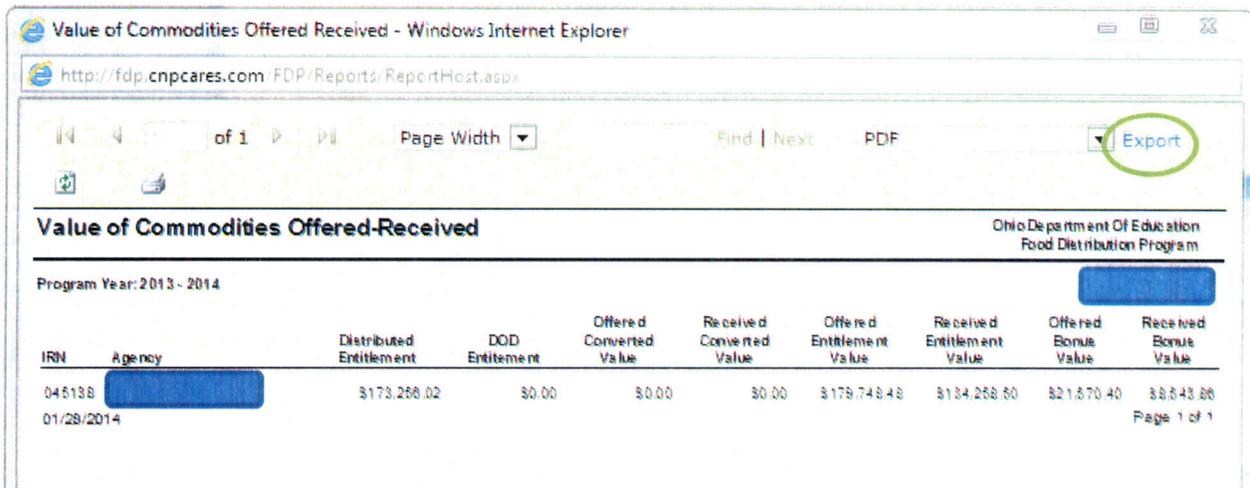


Choose the "Program Year" the user wishes to view. Ensure the entity name appears in the "Agency:" field and click the "Create Report" button to generate the "Value of Commodities Offered-Received report".

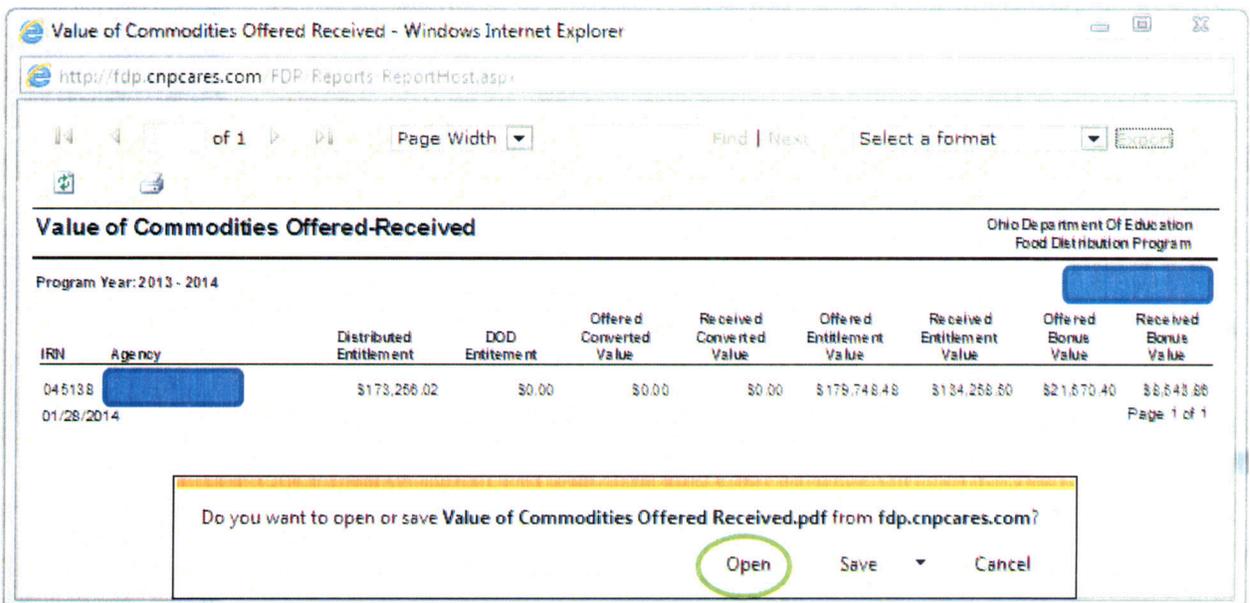


A new window will open and display "The Value of Commodities Offered-Received" page. To obtain the value of entitlement received, add the figures under the "Received Entitlement Value" and "Received Bonus Value" columns. To print this page, click on the drop down arrow next to the words "Select a format".

Note: Currently the "Received Converted Value" column is not being utilized. However, in the future, if an amount appears in this column, it would need included as well.



Choose the desired format, in this example PDF was chosen, and click the export button.



A box may appear asking you if you wish to open or save the Value of Commodities Offered Received.pdf from the fdp.cnpcare.com. When you choose "Open", the report will display the report as a PDF document.

Value of Commodities Offered Received (1).pdf - Adobe Reader

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Value of Commodities Offered-Received

Ohio Department of Education
Food Distribution Program

Program Year: 2013 - 2014

IRN	Agency	Distributed Entitlement	DOD Entitlement	Offered Converted Value	Received Converted Value	Offered Entitlement Value	Received Entitlement Value	Offered Bonus Value	Received Bonus Value
04E138		\$173,286.00	\$0.00	\$0.00	\$0.00	\$179,748.48	\$124,288.80	\$21,870.40	\$8,843.86

Notes:

- * Not all schools receive bonus commodities - these are commodities received in addition to their commodity entitlement.
- * Currently the "Received Converted Value" column is not being utilized. However, in the future, if an amount appears in this column, it would need included as well.

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Print the page by clicking on the printer icon  or by clicking on the word "File" and then clicking on the word "Print".