

Federal Awards Compliance Audit Guidance

NAME OF CLIENT:	
YEAR ENDED:	12/31/2014

FEDERAL AWARD NAME:	CFDA 10.551 Supplemental Nutrition Assistance Program (SNAP / Food Assistance) CFDA 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
CFDA#:	#10.551 & 10.561

This Guidance File has been broken into following sections:

- **Introduction- Materiality Sheet – Page 2 (Note the full materiality sheet to be completed by auditors is included in the testing file)**
- Part I- General OMB Compliance Supplement Information,
- Part II- ODJFS Program Specific Information,
- Part III- Applicable Compliance Requirement Guidance
 - OMB compliance requirements
 - ODJFS compliance requirements

No ARRA guidance has been included, there should be no ARRA funding or expenditures for this audit cycle.

A separate file has been created to document control procedures that address applicable compliance requirements, suggested audit procedures and the results of testing. The file is named, "10.551_10.561_SNAP_2014_audit program_County JFS only_March2015.docx"

Introduction- Materiality by Compliance Requirement

Planning Federal Materiality by Compliance Requirement- 1, 2									
Compliance Requirement		Applicable per Compliance Supplement <i>(Yes or No)</i>							
A.	Activities Allowed or Unallowed	Yes							
B.	Allowable Costs/Cost Principles	Yes							
C.	Cash Management	Yes							
D.	Davis-Bacon Act	No (per OMB compliance supplement)							
E.	Eligibility	No (Not tested at County level. Per ODJFS, there are no additional County level eligibility requirements)							
F.	Equipment & Real Property Mgmt	Yes							
G.	Matching, Level of Effort, Earmark	Yes							
H.	Period of Availability	Yes							
I.	Procurement & Sus. & Debarment	Yes							
J.	Program Income	No (per OMB compliance supplement)							
K.	Real Property Acq. & Rel. Asst.	No (per OMB compliance supplement)							
L.	Reporting	Yes							
M.	Subrecipient Monitoring	Yes							
N.	Special Tests & Provisions	Yes (only controls over EBT cards)							
1 The auditor should always:									
<ul style="list-style-type: none"> • Ask the auditee if there have been any changes in program requirements. • Review the contracts/grant agreements for such changes or other modifications. 									
* AOS Auditors should update requirements, procedures, etc based on specific program/grant information. If changes are noted, document them in the W/P's and consult with the CFAE for an appropriate FACCR modification.									
2 Auditors should review the determination of the requirements above for applicability. Certain requirements may not be applicable because either they do not apply to the program or because the auditee has no evidence of transactions or events subject to those particular requirements. Auditors can check the Matrix of Compliance Requirements, Part 2, viewable at http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014 to determine the applicability of programs OMB lists in its Compliance Supplement. Otherwise, review grant documents to help determine a requirement's applicability.									

SNAP PART I

OMB Compliance Supplement Information

I. Program Objectives

The objective of SNAP is to help low-income households buy the food they need for good health.

II. Program Procedures

Although the below information may not impact counties directly, to effectively audit these program auditors should understand all aspects of each program. This information is directly from the OMB Compliance Supplement and gives the auditors information on how SNAP (Food Assistance) operates.

Administration

The U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) administers SNAP in cooperation with State and local governments.

State human services agencies (or county human services agencies under the oversight of the State government) certify eligibility and provide benefits to households. They also provide nutrition education. FNS provides funding for State administration and benefits, and oversees the operation of State agencies to ensure compliance with Federal laws and regulations. In addition, FNS is solely responsible for authorizing and monitoring retail stores that accept SNAP benefits in exchange for food.

Federal Funding of Benefits and State Administrative Costs

The Federal Government pays 100 percent of the value of SNAP benefits and generally reimburses States for 50 percent of their costs to administer the program, except for those functions listed in III G.1., Matching. SNAP's authorizing statute places no cap on the amount of funds available to reimburse States at the 50 percent rate for allowable administrative expenses. No reimbursement is allowed for State expenditures for activities undertaken as a condition of settlement of quality control claims against the State for low payment accuracy.

Certification

Eligibility for SNAP is based primarily on income and resources. Although there are a number of available State design options that can affect benefits for recipients, a key feature of the program is its status as an entitlement program with standardized eligibility and benefits.

Assessing Need

Households generally cannot exceed a gross income eligibility standard set at 130 percent of the Federal poverty standard. Households also cannot exceed a net income standard, which is set at 100 percent of the Federal poverty standard. The net income standard allows specified deductions from gross income, e.g., a standard deduction and deductions for medical expenses (elderly and disabled only), excess shelter costs, and work expenses. Non-financial eligibility criteria include age, school status, citizenship/legal immigration status, residency, household composition, work requirements, and disability status. Some non-citizens are ineligible to participate in the program. Able-bodied adults without dependents are subject to a time limit for receiving benefits if certain requirements are not met.

As of October 1, 2013, most 40 States have adopted the policy known as broad based categorical eligibility (BBCE). This policy allows a State to base SNAP eligibility determinations on households' receipts of Temporary Assistance for Needy Families (TANF)-funded non-cash benefits or services (CFDA 93.558). Depending on the eligibility criteria of the TANF program used to confer SNAP categorical eligibility, the BBCE may enable a State: to use a higher threshold (200 percent of the poverty level) when applying the gross income test; to eliminate the asset test altogether; or to eliminate all non-financial eligibility criteria except citizenship/legal immigration status.

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Application Process for SNAP Benefits

The application process for SNAP benefits includes the completion and filing of an application form, an interview and the verification of certain information. In addition to using information supplied by the applicants, State or county agencies use data from other agencies, such as the Social Security Administration, the Internal Revenue Service, and the State employment security agency, to verify the household's identity, income, resources, and other eligibility criteria.

Benefits

Benefit amounts vary with household size and income. As required by law, allotments for various household sizes are revised October 1 of each year to reflect the cost of the Thrifty Food Plan, a model plan for a low-cost nutritious diet that is developed and costed by USDA.

The benefits each household receives are used to purchase food at authorized retail stores. States issue benefits in the form of debit cards, which recipients can use to purchase food. This is known as electronic benefits transfer (EBT). Welfare reform legislation required all States to use EBT by 2002, and all States have achieved full compliance.

Benefit Redemption

Generally, households must use program benefits to purchase foods for preparation and consumption at home. There are, however, a very few exceptions to this general policy. For example, there are provisions for homeless persons to use program benefits in authorized restaurants and for residents of some small institutional settings to participate in the program.

The State's EBT contractor is responsible for settlement, or payment, to retailers that have accepted EBT cards for food purchases. The contractor's 'concentrator bank' makes the payment through the National Automated Clearing House (ACH) system. The concentrator bank is reimbursed for the payments by a draw made on the State's EBT benefit account with the U.S. Treasury. States usually authorize their EBT contractors to make these draws, although some States draw the cash and pay the concentrator banks themselves. The State is responsible for reconciling the payments made to retailers by its EBT contractor with the amounts drawn from its EBT account with the U.S. Treasury.

States must obtain an examination by an independent auditor of the State EBT service provider (service organization) regarding the issuance, redemption, and settlement of benefits under SNAP in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization. Appendix VIII to this Supplement provides additional guidance on these examinations.

In performing audits under OMB Circular A-133 of SNAP, an auditor may use these SSAE No. 16 reports to gain an understanding of internal controls and obtain evidence about the operating effectiveness of controls.

State Responsibilities

A State administering SNAP must sign a Federal/State Agreement that commits it to observe applicable laws and regulations in carrying out the program. Although legislation provides a measure of additional administrative flexibility, the authorizing legislation remains highly prescriptive. Both the law and regulations prescribe detailed requirements for: (1) meeting program goals, such as providing timely service and rights to appeal; and (2) ensuring program integrity, such as verifying eligibility, establishing and collecting claims for benefit overpayments, and prosecuting fraud.

To ensure that States operate in compliance with the law, program regulations and their own Plans of Operation, each State is required to have a system for monitoring and improving its administration of the SNAP, particularly the accuracy of eligibility and benefit determinations. This performance monitoring system includes management

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OMB Compliance Supplement Information

evaluation reviews, quality control reviews, and reporting to FNS on program performance. State agencies shall conduct management evaluation reviews once every year for large project areas, once every two years for medium project areas, and once every three years for small project areas, unless an alternative schedule is approved by FNS. Projects are classified as large, medium, or small based on State determinations. The State must also ensure corrective action in response to the detection of program deficiencies.

Federal Oversight and Compliance Mechanisms

FNS oversees State operations through an organization consisting of headquarters and seven regional offices. In addition, about 60 field offices are often involved in State agency oversight.

FNS program oversight includes budget review and approval, reviews of financial and program reports and State management review reports, and on-site FNS reviews. Each year FNS headquarters conveys to its regions the concerns that were elevated to the national level through audits or other mechanisms. Regions combine this with their knowledge of individual States to inform the States of possible vulnerabilities to include in their internal management reviews and corrective action plans.

Although FNS uses technical assistance extensively to promote improvements in State operation of the program, reward and enforcement mechanisms are also available. FNS awards performance bonuses related to payment accuracy, benefit denial decisions, program access, and timely processing of applications. FNS also assesses penalties related to payment accuracy. FNS has other mechanisms to recover losses and the cost of negligence. For other forms of noncompliance, FNS has the authority to give notice and, if improvements do not occur, withhold administrative funds from States for failure to implement program requirements.

USDA's Office of Inspector General (OIG) has primary responsibility for investigating authorized retailers, but the OIG has delegated most such authority to FNS. Consequently, FNS makes most of the investigations of retailers. The Retailer Investigations Branch of the FNS Retailer Operations Division conducts undercover investigations. FNS also uses EBT transaction data to identify retailers who engage in trafficking. SNAP legislation and regulations provide for sanctions against such retailers, which may be temporary or permanent depending on the severity of the violations. In certain circumstances, monetary penalties may be imposed.

Certification Quality Control System

SNAP maintains an extensive quality control system required by law and regulation. The system provides State and national measures of the accuracy of eligibility and benefit amount determination (often referred to as payment accuracy), both underpayment and overpayment, and of the correctness of decisions to deny, terminate, or (beginning in fiscal year 2001) suspend benefits.

Measurement

States are required to: select a statistically valid sample of cases, both active (currently receiving benefits) and negative (benefits denied); review the active cases for eligibility and benefit amount; and review the negative cases for the correctness of the decision to deny benefits. Review methods in this sample are generally more intensive than those used in determining eligibility. States submit findings of all sampled cases, including incomplete and not-subject-to-review cases, to an automated database maintained by the Federal Government. State quality control data allow a State to be aware on an ongoing basis of its level of accuracy, and allow for the identification of trends and appropriate corrective action.

The applicable FNS regional office reviews each State's sampling plan annually and re-reviews a statistically valid subsample of the State quality control reviews. The FNS re-review process provides feedback to each State on its quality control system. FNS uses the State's sample and the FNS subsample in a regression formula (described in regulation) to determine payment error rates and negative case error rates. By law, the payment error rate is the combined value of overpayments and under payments to participating households. The FNS national office also reviews its regional operations and provides technical assistance to assure consistency in the national quality control system.

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Corrective Action and Penalties

There is a specific legislative requirement for corrective action by any State with a payment error rate above 6 percent. Program regulations require corrective action for any negative case error rate that exceeds one percent. FNS maintains an extensive system of technical assistance for States as they develop and implement corrective action. FNS also monitors the implementation of corrective action plans. States with persistently high error rates are assessed fiscal liabilities based on the amount of benefits issued in error.

Implications of Quality Control for the Compliance Supplement

The SNAP Quality Control system uses an intensive State review of a sample of active cases across the United States to measure the accuracy of SNAP eligibility determinations and benefit amounts. An FNS re-review of a subset of those cases follows. These samples are statistically valid at the State and national level. Information from Federal program oversight indicates that this sampling system is operating adequately to provide assurances that FNS is measuring the accuracy of eligibility decisions and that these data provide a basis for corrective action to improve the accuracy of eligibility decisions. Therefore, the Quality Control System sufficiently tests individual eligibility in SNAP.

However, in those situations where computer systems are integral to the operation of the program, e.g., automated eligibility determination, the auditor should perform tests as deemed necessary to obtain assurance of the integrity of these systems. In those instances where multiple programs share the same systems, e.g., automated intake systems for Temporary Assistance for Needy Families (TANF), SNAP, Medicaid, etc., testing may be done as part of the work on multiple programs.

Source of Governing Requirements

SNAP is authorized by the Food and Nutrition Act of 2008 (7 USC 2011 *et seq.*), which replaced the Food Stamp Act of 1977, as amended. This description of SNAP procedures incorporates provisions of the following amendments to the Act: the Food, Conservation, and Energy Act of 2008 (Pub. L. No. 110-246, 122 Stat. 923, enacted June 18, 2008). SNAP regulations are found in 7 CFR parts 271 through 285.

Availability of Other Program Information

Additional program information is available from [FNS's SNAP site](#) on the Internet.

Other Information

Guidance for Counties

A county should not be reporting expenditures for SNAP benefits in its SEFA or in its SF-SAC. This is because SNAP benefits are provided exclusively by EBT. In an EBT environment, there is no pass-through of Federal funds for SNAP benefits. Rather, benefits are processed and expenditures determined by State-level EBT systems. With respect to counties, therefore, SNAP benefits do not meet the definitions of 'Federal award' and 'Federal financial assistance' set out in OMB Circular A-133, section __.105.

Note: Generally, E, "Eligibility," G.1, "Matching," I, "Procurement and Suspension and Debarment" (with respect to procurement), and N, "Special Tests and Provisions" apply only to State governments. However, when States have delegated to the local governments functions normally performed by the State as administering agency, e.g., eligibility determination, issuance of SNAP, etc., the related compliance requirements will apply to the local government.

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Other Sources:

- 2 CFR 225 is the codification of OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments)
- 45 CFR 92 includes the Health and Human Services OMB Circular A-102 Grants Management Common Rule (State & Local Governments)
- 45 CFR 74 includes the Health and Human Services OMB Circular A-110 (universities & non-profit organizations). OMB Circular A-110 was codified into 2 CFR 215. (references to A-110 / 2 CFR 215 have been eliminated as this FACCR is not for universities or non-profit organizations)
- 2 CFR 376 includes the Procurement Suspension & Debarment requirements for Health and Human Services

Auditors should cite using the applicable codified CFR references and not the OMB Circulars for noncompliance.

SNAP Part II

ODJFS Specific Information

Part II- The ODJFS Program Specific Information is broken into 5 sections: (1) Program Overview, (2) Program Funding, (3) AOS Testing Considerations, (4) Reporting in the Schedule of Expenditures of Federal Awards, (5) Information Systems, Including a description on how they operation (i.e. CRIS-E, CFIS Web, PET)

As of October 1, 2008, SNAP became the new name for the Food Stamp Program. It stands for the Supplemental Nutrition Assistance Program, and reflects the changes made to meet the needs of their clients, including a focus on nutrition and an increase in benefit amounts. The name change was mandated by the Food, Conservation and Energy Act of 2008. This act is also known as the Farm Bill.

States are encouraged, but not required, to change their program name to SNAP. Effective October 1, 2008, Ohio changed the name of their program to **Food Assistance**.

Additional ODJFS Program Information can be obtained at <http://jfs.ohio.gov/factsheets/foodassistance.pdf>.

(1.) Program overview

County Structure

Each County is segregated into the following three areas:

- County Department of Job and Family Services (CDJFS) - Administers the Food Assistance (SNAP) Cluster, TANF, Child Care Cluster, Social Services Block Grant, SCHIP, and Medicaid (i.e. all Public Assistance programs).
- Public Children Services Agency (PCSA) - Administers the Foster Care and Adoption Assistance programs.
- Child Support Enforcement Agency (CSEA) - Administers the Child Support Enforcement program.

Note: In some Counties, all three areas are combined (Combined Agencies), whereas in other Counties, there may be two or three separate agencies.

Subgrant Agreement

Each County agency (or agencies) enters into an Ohio Department of Job and Family Services Subgrant Agreement. This agreement describes the subgrant duties, ODJFS & subgrantee responsibilities, effective date of the subgrant, amount of grant/payments, audits of subgrantee, suspension and termination, breach and default, etc. Auditors should review their applicable County's subgrant agreement. This agreement indicates if each agency (Public Assistance (PA), Public Children Services Agency (PCSA), Child Support (CS)) is a stand-alone agency or if they are combined agencies. This will determine the cost pools that will need tested as part of the RMS process tested in Section A.

ODJFS has county profiles and weblinks at http://jfs.ohio.gov/County/County_Directory.pdf.

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ODJFS Specific Information

County Collaborations

Collabor8

During 2011, Collabor8 was formed. The Collabor8 project involves seven county department and family services that will work together under a common agreement to process and manage administrative workloads as one project area. Wood and Knox counties started in December 2011, Hancock, Marion, Morrow & Sandusky came on 1/2/12 and Delaware in February 2012. The MOU was extended to June 30, 2017. **The fiscal sharing splits for SFY 14 & 15 obtained from Collabor8 documentation provided are below. This information is unaudited. Auditors should evaluate for accuracy / reasonableness not only the fiscal split percentages used below but also any other costs allocated as a result of this collaborative effort.** See [FATL 341](#), dated 9-27-13 and OAC 5101:4-1-16.

County	State Fiscal Year 14 IM Allocations	Percentage	State Fiscal Year 15 IM Allocations	Percentage
Delaware	\$330,931	11.46%	\$316,689	10.89%
Hancock	390,760	13.53%	400,841	13.79%
Knox	389,378	13.48%	406,772	13.99%
Marion	540,893	18.72%	543,024	18.68%
Morrow	230,785	7.99%	244,871	8.42%
Sandusky	386,290	13.37%	401,454	13.81%
Wood	619,760	21.45%	594,059	20.43%
Total	\$2,888,797		\$2,907,710	

Joint County Department of Job and Family Services

Ohio Revised Code 329.40-329.46 allows for the formation of joint county departments of job and family services. The boards of county commissioners of any two or more counties may enter into a written agreement to form a joint county department of job and family services. Once the agreement is in effect the department should operate a single new entity replacing the contributing counties JFS offices. The agreements will specify the reporting periods for the new departments, which are not required to be on a 12/31 reporting timeframe. If auditors are aware of the formation of a new district they should inquire as soon as possible with the district to determine the reporting period that was established. Auditors should familiarize themselves with the ORC code sections mentions and should also obtain the agreement establishing the district; perform a GASB 61 evaluation to determine if the district is a legally separate entity and if they are a subrecipient of ODJFS or of the contributing counties. Also keep in mind ORC329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to import testing procedures from the non-ARRA boiler plate faccr. Also keep in mind costs incurred for the acquisition of buildings and land, as “capital expenditures,” are unallowable as direct charges, except where approved in advance by the awarding agency. See 2 CFR 225, Appendix B, Section 15 (b) (1). We are aware of two districts that have currently formed (see also [FATL 341](#), dated 9-27-13 and OAC 5101:4-1-16):

South Central Job and Family Services District is a combination of Ross, Vinton and Hocking Counties and it is operating on a 6/30 state fiscal year end and,

Defiance/Paulding Consolidated Department of Job and Family Services is a combination of Defiance and Paulding Counties and it is operating on a 9/30 federal fiscal year end.

Per FAPL #49 (effective March 21, 2014) ODJFS is issuing funding to support new county collaborations and shared services that serve food assistance employment and training (FAET) participants. ODJFS will allocate funding to any collaboration with a new shared services model that has been approved by the Office of Family Assistance. The FAET Shared Services allocation consists of 50% state funds and 50% federal funds. Services must be completed by September 30, 2014 and expenditures reported and liquidated by 12/31/12. For additional questions please see OFS letter #129 at <http://jfs.ohio.gov/ofam/FAL129FAETSharedServicesFunding.stm> .

Additional information per ODJFS:

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ODJFS Specific Information

- Per Beth Kowalczyk (3/17/10), ODJFS Food Assistance Program Division, the Food Assistance **eligibility process cannot be contracted out to subrecipients; however, work and training services can be contracted out to subrecipients.** Auditors should review contracts entered into by the County JFS for services to determine if a subrecipient relationship exists. Auditors should also look for recurring expenditures to determine if such a relationship exists without entering into a formal contract.
- Counties cannot adopt policies to broaden or restrict the SNAP (Food Assistance) program, including eligibility of recipients or services provided.
- ODJFS Bureau of Monitoring and Consulting Services (BMCS) performs ODJFS program County compliance reviews. The Counties do receive written results of these reviews. Auditors should consider the results of the reviews for planning purposes. In addition, BMCS has also developed a number of templates (procurement, subgrant agreements, subrecipient monitoring) available to help the counties with program compliance.
- ODJFS in preparation for the transition of the Counties becoming subrecipients in 2009, provided to each county a “Guided Self-Assessment for County Family Services Agencies” (GSA). This is a comprehensive guide that incorporates the OMB compliance requirements, CFR and OAC requirements, identifies processes and controls ODJFS determined should be in place to meet specific federal requirements and corresponding risk assumed by the agency. The instructions request Counties to provide or attach policies and procedures to address the answers on the questionnaire.
 - **Auditors should note the GSA is a tool developed by the ODJFS Bureau of Monitoring and Consulting Services (BMCS) to communicate compliance requirements imposed on the State and counties by Federal/State law or administrative rule (OAC). While the GSA does include authoritative guidance references, the GSA is not authoritative support for the requirements. In addition, the internal controls discussed throughout the GSA are only suggestions not required controls or ODJFS policy. The BMCS does not have authority to require specific internal controls without establishing an administrative rule. Therefore, auditors should not cite the GSA for reporting noncompliance or control deficiencies but cite the applicable law or rule governing the requirement.**

This is a brief description of the Fiscal Process:

- The County JFS receives different types of funding (see SFAE Testing Spreadsheet:
 1. Mandated Share - ORC requires the county commissioners to share in the cost of the certain programs (known as mandated share). County JFS receive a mandated share from the County Commissioners. Mandated share is calculated by ODJFS and ODJFS enters the amounts for each funding source as a budget into the CFIS (fiscal computer system). ODJFS notifies the County Commissioners in May or June of their mandated share for the next calendar year so the Counties have time to budget accordingly. Counties are required to make an adjustment equal to 1/12 of the total mandated share when they submit their monthly expenditure reports. County JFS sends a drawdown request for their anticipated needs and then enter their expenditures monthly and submit their expenditures quarterly to ODJFS. ODJFS quarterly reconciliation evaluates and adjusts for the differences. While some counties may not pay their mandated share to the County JFS monthly, the County JFS must deduct no less than 1/12th of the amount on their monthly reporting of expenditures to ODJFS. (For example, if the County’s mandated share is \$1,200, the County JFS would include \$100 or more on the monthly reporting of expenditures regardless when the county paid the \$1,200.)

Per 5101:9-6-31, Commissioners are required to appropriate the County Share of Public Assistance Expenditures and the Mandated Share Budget at 105%.

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ODJFS Specific Information

2. Federal Allocation – There are two ways federal monies are allocated by the State (There are no local requirements for the calculating or receiving of these allocations.):
 - Allocation specific to the grant – Adoption, Foster Care, Child Care Block Grant, Social Services Block Grant and TANF receive allocations specific to their grants. These allocations are based on mandated methodology guidelines, including demographics, expenditure information pulled from CFIS, etc. The County receives notification of their grant allocation from ODJFS via the CFIS web system beginning.
 - ODJFS issues initial pass-through allocations based on the greater of:
 - a. The average expenditures of the last two years reported expenditures: or
 - b. The total of the last four completed quarters' reported expenditures.An agency with no reported expenditures over either time period will receive a minimum budget (5101:9-6-44). An agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web. The ODJFS receives funding for the following pass throughs: food assistance (FA), food and nutrition services (FNS), Medicaid and SHIP.
3. Income Maintenance (State Allocation) - County JFS also receives Income Maintenance (IM) monies. These are State monies County JFS can use to meet matching requirements or reimburse the county for administrative expenditures incurred in the administration of certain programs (See Section A of this document). There are two IM allocations. One allocation for administrative expenditures incurred in the administration of the disability financial assistance (DFA), food assistance (FA), and a separate allocation for medical assistance (MA) including the Medicaid program and the state children's health insurance program (SCHIP). IM amounts for each county are also entered into CFIS as budgets by ODJFS. County JFS offices can request to move funding between the allocations using the JFS 02725. The request must be submitted to ODJFS no later than the last day of the liquidation period for a closing grant. A County JFS may also elect to transfer all or a portion of its IM allocations to the CSEA. The creation of the two separate IM allocations was communicated in FAPMTL 276 and was effective 7-5-13. For further information see <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL276>
4. Other program specific State Allocations.
 - In addition to their County JFS allocations, there are two opportunities for County JFS to release or receive monies: 1) They can swap funds with other counties, (this process must be approved by evidence of County Commissioners sign off) which goes through ODJFS to change the allocations in CFIS; or 2) In January or April they can apply for additional funds or to free up monies allocated to other grants. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties; however, the pass-through allocations are not included in either process. ODJFS changes the allocation in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be the reason any such re-allocations in the system. Note: The Ohio Department of Job and Family Services developed a process to allow for specific allocated funds to be exchanged between counties. The process is detailed in rule 5101:9-6-82 of the Administrative Code. See the ICAA section of the BCFTA Tools website for details of the process at <http://jfs.ohio.gov/ofs/bcfta/Allocations.stm>
 - For most grants, the County JFS can draw down funds on a weekly basis from ODJFS (see Reporting L section of this document). Public Children Services Agency (PCSA) grants (Foster Care & Adoption Assistance) are reimbursement grants. There may be portions of a program that are on a reimbursement basis (such as FAET for SNAP) however, the remainder of the programs the County JFS draws down an advance of funds for anticipated needs and monthly report expenditures. Quarterly adjustments are made for the differences.
 - County JFS file quarterly reports with ODJFS via CFIS. There is a quarterly reconciliation process performed by ODJFS. See also **OAC 5101:9-7-03 and 5101:9-7-03.1** for additional information on the

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ODJFS Specific Information

financing, reconciliation and closeout procedures. **Auditors should review these sections for specific details on this process. See also Reporting Section L.**

- **The reconciliation process was updated with CFIS Web and communicated to CDJFS in FAPMTL 258 effective 10/9/12 (see <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL258> and OAC 5101:9-7-03.1).** The CDJFS has access to system reporting throughout the quarter in order to make ongoing adjustments/corrections. County JFS enters expenditures monthly into CFIS Web and submit to OAKS quarterly. They file quarterly the certification of monthly expenditure reports with ODJFS. The CDJFS is given five business days after the eighteenth day of the month following the last month of the quarter to review reports for accuracy. No later than five business days after the eighteenth day of the month following the last month of the quarter, the CDJFS shall submit any final adjustments and/or revisions to OAKS. Once the five-day review period is complete, ODJFS suspends reporting access to OAKS for the closing quarter in order to begin the quarter reconciliation process. The CDJFS shall make any allowable changes that arise after the five-day review period to open grants in the current quarter. The Ohio department of job and family services (ODJFS) notifies the CDJFS when the quarter reconciliation process is completed. The CDJFS shall review reports for accuracy and immediately notify ODJFS of any discrepancies. ODJFS reconciles refunds and collections at the end of each quarter. ODJFS reconciles state funded allocations and federally funded subgrants at the end of their period of availability. The period of availability includes the funding period and the liquidation period.
- The CFIS Web system does not link information into the county auditor's expenditure ledgers. Counties can manually reenter the information or they may use a computer program for this upload process, such as PET (Maximus Program). Auditors should check to see if the information uploads to the County Auditor's system accurately by reconciling Form 2827 (C/R 520 in CFIS Web) to the County Auditor's & JFS records (see Reporting L section of this document).
- For most programs, expenditures are drawn down and expended based on State and Federal financial participation percentages. For SNAP (Food Assistance), except for Food Assistance Employment and Training (formally FSET) expenditures, the Federal share is 50% (See Section G) so the County JFS would be reimbursed 50% from Federal share and 50% from State (IM) or they could use county funding for the 50% state/local match. Once they use all their IM allocation, they must use local funding for the 50% match. This allocation is programmed into CFIS so auditors are not required to test the allocation; however, should be aware of this when testing the federal program. FSET / FAET expenditures do not require a matching share. Food Assistance Employment and Training is coded separately in CFIS and is 100% Federal reimbursement (see OAC 5101:9-6-09 – see below).
- BCFTA provided a FFY13 budget to all CDJFS for a FAET 100% allocation at the beginning of the grant period. However, the FAET 100% grant is less than anticipated and the budget must be revised. Counties will receive a Revised Budget Notice through CFIS Web. Also effective with FFY 13, counties will receive two additional FAET allocations (FAET Operating and FAET Participant Allowance), resulting in an overall increase in funding for the FAET program. As a result of this additional funding and federal reporting requirements, BCFTA has made changes and/or additions to FAET financial coding and FAET RMS coding. Financial coding is effective October 1, 2012. RMS coding will be effective on December 1, 2012. The FAET operating funding is authorized under 5101:9-6-09.3 and participant allowance under 5101:9-6-09.4. See BCFTA update 2013-13 for a further explanation of the FAET allocations and the allowable/unallowable costs for each allocation at http://jfs.ohio.gov/ofs/bcfta/BB/20121119_BCFTA_Update_2013-13_FAET_Funding.pdf
- **See BCFTA Update 2013-21 regarding costs associated with county lay-off of staff at <http://jfs.ohio.gov/ofs/bcfta/BB/20130514-BCFTA-Update-2013-21-County-Lay-off-SFY14.stm>**
- **See BCFTA Update 2014-14 regarding costs associated with county lay-off of staff at http://jfs.ohio.gov/ofs/bcfta/BB/BCFTAUpdate_2014-14_SF15_CountyLayoff.stm**

SNAP Part II

ODJFS Specific Information

- See also FAPL No. 34, Abnormal or Mass Severance Pay at <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPL34>

(2.) Program Funding

See ODJFS Programs SFAE Testing Spreadsheet for Program Funding.

(3.) AOS Testing Considerations

Auditors should evaluate cost pools and reporting requirements that are consistent between ODJFS grant programs and only test these once rather than with each grant program. The following table shows where some efficiency can be gained for common cost pools (FACCR Section A) and reports (FACCR Section L):

Reported on:	Program:	County Fund Paid from:	RMS Cost Pool
JFS 02827	Medicaid, CHIP, Food Assistance, TANF, SSBG, CCBG	Public Assistance (PA) Fund	IMRMS / SSRMS
JFS 02750	Child Support Enforcement	Child Support Administrative Fund	CSRMS
JFS 02820	Foster Care & Adoption	Children Services Workers	CWRMS or SSRMS (if combined agency)

For an overview of requirements tested by program: see AOS spreadsheet, ODJFS list of program & applicable requirements. These reports are in CFIS Web, the reports for each agency are CR520 reports, however on the electronic report in CFIS Web, the report will still be designated at the bottom as 2827, 2750 or 2820.

(4.) Reporting in the Schedule of Expenditures of Federal Awards

SNAP (Food Assistance) benefits are regulated by the United States Department of Agriculture – Food and Nutrition Services, the regulations are implemented by the state and the benefits are then county administered. The State has the responsibility to regulate that administration; therefore, eligibility and recipient benefit payments will be audited by the State Region.

The County federal schedule will report direct administrative and other expenditures (whether charged directly to the program or allocated through a cost allocation plan or cost pool) paid by the County.

For guidance on testing the County JFS Schedule of Federal Awards Expenditures (SFAE), auditors should refer to the ‘County JFS SFAE Testing Spreadsheet’ (separately posted). While the CR 504 CFDA report is a good starting point for counties to determine the expenditures to be reported on the SFAE, there are some programs or parts of program that are not reflected in either of these report. The spreadsheet provides program specific information for testing the SFAE.

SNAP Part II

ODJFS Specific Information

Per ODJFS, all grants are reported on a cash basis and should be presented likewise on the SFAE.

To ensure expenditures are reported accurately by CFDA#, auditors should also determine how multi-agency contract expenditures are recorded on the schedule of federal awards expenditures.

The local government should report federal expenditures for CFDA #10.551/10.561. A-133.310(b)(2) requires including pass-through numbers (if any) on the Schedule. Counties should report the subgrant agreement number (i.e. G-1011-11-5006) as the pass through number and roll the grants up in total by CFDA. Please note there may be two subgrant agreements in place for the calendar year. If that is the case then report both numbers (i.e. G-1011-11-5006 / G-1011-11-5007).

(Note: It is doubtful counties receive funding under 10.551 due to this portion of the Cluster being for the recipient benefits. Auditors should discuss with the County JFS if these funds were received by the County.)

SNAP Cluster	CFDA #	Pass through number	Expenditures
Supplemental Nutrition Assistance Program (SNAP)	10.551	G-1011-11-5006 / G-1011-11-5007	\$XXX,XXX
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Administrative Costs)	10.561	G-1011-11-5006 / G-1011-11-5007	\$XXX,XXX

(5.) Information systems, including a description on how they operate (i.e. CRIS-E, CFIS Web, PET)

Computer Systems

The following State-level systems are utilized by Counties for these programs:

- CRIS-E - Used primarily to determine eligibility and benefit amounts for Food Assistance, TANF, SCHIP, and Medicaid; and generates the voucher summary detail for these programs. It also maintains data entered by the case workers related to the recipients and their cases.
- CFIS – (County Finance Information System) July 1, 2009 County JFS finance offices began using CFIS which drives the financial reporting (Forms 2827, 2750, and 2820, RMS activity, etc). The current and archived CFIS information can be accessed at the County JFS site. At the county level financial data is imported (pulled) from templates or from interfaced systems like WebRMS into the CFIS Web reporting system. Information flows from the county system through CFIS and up to OAKS. Each grant is coded separately. ODJFS has a spreadsheet for coding in CFIS. ODJFS updates this information each year.

ISA will be testing CFIS Web (including the RMS System used to track Random Moment Sampling activity and allocation of program expenditure. A recap of that work performed and any user control considerations will be sent out when available for 2014.

The OAKS general controls portion tested as part of the Statewide SSAE 16 SOC 1, however, will continue to be on a state fiscal year (6/30).

- County JFS fiscal offices use CFIS Web to record their expenditures. However, this system does not link the information into the county auditor’s expenditure ledgers. The counties can manually reenter the information or they may use a computer program for this upload process, such as PET (Maximus

SNAP Part II

ODJFS Specific Information

Program). The State Region does not look at PET (or similar programs). Auditors will need to test the information in the PET system to the amounts recorded in the County Auditor's records for accuracy.

- Maximus notified several counties in 2013 that it would remove the PET system from its business line. ODJFS has responded to this decision by developing a Ledger Reporting solution to replace the PET system and it will be a new module in CFIS Web and available for all ODJFS subrecipients. This change will not impact any of our 2014 audits. This Ledger Reporting system was implemented on January 1, 2015. Although all counties have the opportunity to use this module, not all counties use the system. Please see BCFTA update at http://jfs.ohio.gov/ofs/bcfta/BB/2014011314_-BCFTAUpdateCountyLedgerSystem.stm for further information. Maximus indicated it will continue to support the PET system until Dec 2014.
- With the implementation of CFIS Web, ODJFS has developed a new process to replace the function of the Configuration File. The new process is called "Adjustment to a Prior Period Allocated and Approved Expenditure" or APAA. Agencies will utilize this process in instances where an adjustment needs to occur and direct coding is not available (i.e. audit, ERIP, and errors). This process can be initiated by the local agency or by ODJFS and is recorded on form JFS 01179. See BCFTA update 2013-17 dated 2/28/13 for further information <http://jfs.ohio.gov/ofs/bcfta/BB/20130228-BCFTA-Update-2013-17-APAA.stm>.

NOTE: ODJFS is not granting auditors of County JFS programs access to the JFS systems. ODJFS is encouraging County JFS offices to cooperate with audit requests. Per Office of Fiscal and Monitoring Services' County Monitoring Advisory Bulletin 2012-01 / Workforce Investment Act Advisory Bulletin 2012-01, dated February 13, 2012, in part:

"County agency management personnel are obligated to provide the necessary data to the regional auditors or their designees. However, due care must be taken to safeguard the information provided to the AOS and its contractors. Under no circumstances should agency management or staff give the AOS audit staff access to any ODJFS systems. Each agency must make a reasonable effort to limit the disclosure of protected health information to the minimum necessary to accomplish the intended purpose of the disclosure. The agencies must provide the data to the AOS via encrypted media, i.e. memory sticks, CDs or DVDs, external hard drives etc., in accordance with state guidelines on secure portable media.

The method through which data are transferred is at the sole discretion of each local director."

PART III

A. Activities Allowed or Unallowed

OMB Compliance Requirements

Compliance Requirements

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 contract or grant agreements pertaining to the program. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

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.

OMB Specific Information

Important Note: For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within 2 CFR 225's allowable cost guidelines. 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 225 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 2 CFR 225 to determine if pension costs (an object cost classification) are permissible. (2 CFR 225, Appendix B states they are allowable, with restrictions, so we would need to determine if the auditee met the restrictions.) Both the client and we should look at 2 CFR 225 even if the grant agreement includes a budget by object code approved by the grantor agency.

Funds made available for administrative costs must be used to screen and certify applicants for program benefits, issue benefits to eligible households, conduct fraud investigations and prosecutions, provide fair hearings to households for which benefits have been denied or terminated, conduct nutrition education activities, prepare financial and special reports, operate automated data processing (ADP) systems, monitor subrecipients (where applicable), and otherwise administer the program. Portions of the award made available for specific purposes, such as ADP systems development or Employment and Training activities, must be used for such purposes (7 CFR part 277).

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

RMS

The following transmittal letters communicate the most recent changes to the OAC rules concerning the web-based RMS system:

- OAC 5101:9-7-23 Child Support Random Moment Sample (RMS) Time Study
 - See FAPMTL No. 229 (eff 12/29/11) at <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL229>
- OAC 5101:9-7-20 Income Maintenance, Workforce, Social Services, and Child Welfare Random Moment Sample (RMS) Time Studies
 - See FAPMTL No. 248 (eff 6/11/12) at <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL248>

See also BCFTA Web WebRMS reports at http://jfs.ohio.gov/ofs/bcfta/TOOLS/Regional-Quarterly-Meeting/Jul-Sept-2011/WebRMS_ReportList.pdf also <http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMSTADocument.pdf> and the desk guide at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMSDeskGuide.pdf> . The Web RMS user manual was updated December 2013 and is available here http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMS_UserManual.stm.

The RMS are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. Both the Income Maintenance RMS (IMRMS) and the Social Services RMS (SSRMS) are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from the staff rosters (FTE reporting) submitted by the county RMS coordinators and determines the sampling times. Data collected from these time studies are used to calculate the percentage of time spent on the program. The percentages are used by the County agency system to allocate expenditures reported on the ODHS 2827 / CR520 financial statements.

County expenditures primarily consist of administrative expenses, most of which are captured through the RMS process discussed above; however, there may be non-RMS related expenditures as noted above performing administrative support or supervisory functions only, such as the JFS Director, human resource employees, etc. These are the administrative staff whose expenses belong in the shared cost pool. If it can be determined that a supervisor only supervises staff in one program- type cost pool, that supervisor's expenses are included in the program-type cost pool and allocated along with their staff's expenses by the RMS statistics for that particular program type.

RMS based funding has a one month lag time. For example, RMS reporting for September, October and November drives the quarterly funding for October, November and December.

RMS sample sizes required per OAC:

RMS Type	Agency Size	# of Observations
Income Maintenance (IMRMS)	Metro	Minimum of 2,300
Income Maintenance (IMRMS)	Suburban & Rural	Minimum of 354
Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct	1-10 Participating Positions	Minimum of 33 per worker
Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct	11-74 Participating Positions	Minimum of 354
Social Services (SSRMS), Child	75 or more Participating Positions	Minimum of 2,400

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

Welfare (CWRMS), Juvenile Ct		
Child Support (CSRMS)		Minimum of 354

AOS Additional Testing Considerations

Sections A & B are most often tested using the same sample. Additional program specific requirements / testing considerations are included in Section A that would also affect Section B.

County testing will primarily consist of the following:

- Administrative expenses
- FTE/RMS/Cost pools
- Direct expenditures

Auditors will need to test pooled costs separately (RMS) from direct charges (County ledgers).

All salaries and indirect expenses are included in cost pools. There are two levels of allocation for County JFS expenditures. Costs benefiting all programs (rent, leases, utilities, supplies, indirect employee costs for positions such as the agency director, personnel, fiscal, related compensation, etc.) are included in the Shared Costs Pool and are allocated based on the Quarterly Report of County JFS Full Time Equivalent (FTE) Positions submitted to ODJFS. Shared costs are distributed in CFIS Web based on the IM, SS, and CSEA FTE percentages.

More information regarding FTE reporting is available at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm>. FTE reporting was previously accomplished on Form 4290, which has been replaced by CFIS Web form CR 445.

Allowable costs on FTE Report associated with Employees			
Reported on:	Program:	County Fund Paid from:	RMS Cost Pool
JFS 02827	Medicaid, CHIP, Food Assistance, TANF, SSBG, CCBG	Public Assistance (PA) Fund	IMRMS / SSRMS
JFS 02750	Child Support Enforcement	Child Support Administrative Fund	CSRMS
JFS 02820	Foster Care & Adoption	Children Services Workers	CWRMS or SSRMS (if combined agency)

These electronic reports in CFIS Web are titled CR520 reports, they will however, still be designated at the bottom as 2827, 2750 or 2820.

Costs are then allocated to the program level based on the RMS studies.

Auditors will need to test both FTE reporting and RMS. The FTE reporting and RMS testing is included in the audit program file due to its impact on the allocation of expenditures

Auditors can determine population for RMS testing from a summary report for the quarter on CFIS that uploads from the RMS system. There is a data file with this information in CFIS that can be downloaded at the County JFS site.

PART III

B. Allowable Costs/Cost Principles OMB Compliance Requirements

Applicability of OMB Cost Principles Circular

The following OMB cost principle circular prescribes the cost accounting policies associated with the administration of Federal awards by States, local governments, and Indian tribal governments (State rules for expenditures of State funds apply for block grants authorized by the Omnibus Budget Reconciliation Act of 1981 and for other programs specified in Appendix I). Federal awards administered by publicly-owned hospitals and other providers of medical care are exempt from OMB's cost principles circulars, but are subject to requirements promulgated by the sponsoring Federal agencies (e.g., the Department of Health and Human Services 45 CFR, part 74, Appendix E). 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 Government or indirectly through a pass-through entity. The circular describes selected cost items, allowable and unallowable costs, and standard methodologies for calculating indirect costs rates (e.g., methodologies used to recover facilities and administrative costs (F&A) at institutions of higher education). Federal awards include Federal programs and cost-type contracts and may be in the form of grants, contracts, and other agreements.

Source of Governing Requirements

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule (§____.22) (45 CFR part 92), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The applicable cost principle circular is:

- **OMB Circular A-87, 'Cost Principles for State, Local and Indian Tribal Governments' (2 CFR part 225).**

Although this cost principle circular has been reissued in Title 2 of the CFR for ease of access, the OMB Circular A-133 Compliance Supplement refers to it by the circular title and numbering. However, auditors should use the authoritative reference of 2 CFR Part 225 ... when citing noncompliance.

Note: This FACCR is designed for County Governments (based on the requirements of OMB Circular A-87). It is not intended for use when performing a Single Audit for a Higher Educational Institution or a Non-Profit Organization.

Important Note: For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within A-87's (codified in 2 CFR Part 225) allowable cost guidelines. 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 225 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 2 CFR Part 225 to determine if pension costs (an object cost classification) are permissible. (2 CFR Part 225, Appendix B states they are allowable, with restrictions, so we would need to determine if the auditee met the restrictions.) Both the client and we should look at 2 CFR Part 225 even if the grant agreement includes a budget by object code approved by the grantor agency.

Exhibit 1 of Part 3 of the OMB Circular A-133 Compliance Supplement, Selected Items of Cost (included in at the end of Part B to this FACCR, lists the treatment of the selected costs items in the circular.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

OMB CIRCULAR A-87 COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS

Introduction

OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: State/Local-Wide Central Service Costs; State/Local Department or Agency Costs (Direct and Indirect); and State Public Assistance Agency Costs.

Cognizant Agency

A-87, Attachment A, paragraph B.6. defines 'cognizant agency' as the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under A-87 on behalf of all Federal agencies. OMB publishes a listing of cognizant agencies (*Federal Register*, 51 FR 552, January 6, 1986). This listing is available at http://www.whitehouse.gov/sites/default/files/omb/assets/financial_pdf/fr-notice_cost_negotiation_010686.pdf . References to cognizant agency in this section should not be confused with the cognizant Federal agency for audit responsibilities, which is defined in OMB Circular A-133, Subpart D. §____.400(a).

Availability of Other Information

Additional information on cost allocation plans and indirect cost rates is found in the Department of Health and Human Services (HHS) publications: *A Guide for State, Local and Indian Tribal Governments* (ASMB C-10); *Review Guide for State and Local Governments State/Local-Wide Central Service Cost Allocation Plans and Indirect Cost Rates*; and the *DCA Best Practices Manual for Reviewing Public Assistance Cost Allocation Plans* which are available at <https://rates.psc.gov/fms/dca/PA%20BPM.pdf> and <https://rates.psc.gov/fms/dca/revisedslguide.pdf> , respectively.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

Allowable Costs - State/Local-Wide Central Service Costs

Most governmental entities provide services, such as accounting, purchasing, computer services, and fringe benefits, to operating agencies on a centralized basis. Since the Federal awards are performed within the individual operating agencies, there must be a process whereby these central service costs are identified and assigned to benefiting operating agency activities on a reasonable and consistent basis. The State/local-wide central service cost allocation plan (CAP) provides that process. (Refer to A-87, Attachment C, State/Local-Wide Central Service Cost Allocation Plans, for additional information and specific requirements.)

The allowable costs of central services that a governmental unit provides to its agencies may be allocated or billed to the user agencies. The State/local-wide central service CAP is the required documentation of the methods used by the governmental unit to identify and accumulate these costs, and to allocate them or develop billing rates based on them.

Allocated central service costs (referred to as Section I costs) are allocated to benefiting operating agencies on some reasonable basis. These costs are usually negotiated and approved for a future year on a 'fixed-with-carry-forward' basis. Examples of such services might include general accounting, personnel administration, and purchasing. Section I costs assigned to an operating agency through the State/local-wide central service CAP are typically included in the agency's indirect cost pool.

Billed central service costs (referred to as Section II costs) are billed to benefiting agencies and/or programs on an individual fee-for-service or similar basis. The billed rates are usually based on the estimated costs for providing the services. An adjustment will be made at least annually for the difference between the revenue generated by each billed service and the actual allowable costs. Examples of such billed services include computer services, transportation services, self- insurance, and fringe benefits. Section II costs billed to an operating agency may be charged as direct costs to the agency's Federal awards or included in its indirect cost pool.

Compliance Requirements - State/Local-Wide Central Service Costs

1. Basic Guidelines

- a. The basic guidelines affecting allowability of costs (direct and indirect) are identified in A-87, Attachment A, paragraph C.
- b. To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):
 1. Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, paragraph C.2 for additional information on reasonableness of costs.)
 2. Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, paragraph C.3 for additional information on allocable costs.)
 3. Be authorized or not prohibited under State or local laws or regulations.
 4. Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
 5. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
 6. 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.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

7. Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
 8. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
 9. Be net of all applicable credits. (Refer to A-87, Attachment A, paragraph C.4 for additional information on applicable credits.)
 10. Be adequately documented.
2. *Selected Items of Cost*
- a. Sections 1 through 43 of A-87, Attachment B, provide the principles to be applied in establishing the allowability or unallowability of certain items of cost. (For a listing of costs, refer to Exhibit 1 of this part of the Supplement.) These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost in this section of A-87 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 or standards provided for similar or related items of cost.
 - b. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in A-87, Attachment A.
3. *Submission Requirements*
- a. Submission requirements are identified in A-87, Attachment C, paragraph D.
 - b. A State is required to submit a State-wide central service CAP to HHS for each year in which it claims central service costs under Federal awards.
 - c. A local government that has been designated as a 'major local government' by OMB is required to submit a central service CAP to its cognizant agency annually. This listing is posted on the OMB website (<http://www.whitehouse.gov/omb/management>). All other local governments claiming central service costs must develop a CAP in accordance with the requirements described in A-87 and maintain the plan and related supporting documentation for audit. Local governments are not required to submit the plan for Federal approval unless they are specifically requested to do so by the cognizant agency. If a local government receives funds as a subrecipient only, the primary recipient will be responsible for negotiating and/or monitoring the local government's plan.
 - d. All central service CAPs will be prepared and, when required, submitted within the 6 months prior to the beginning of the governmental unit's fiscal years in which it proposes to claim central service costs. Extensions may be granted by the cognizant agency.
4. *Documentation Requirements*
- a. The central service CAP must include all central service costs that will be claimed (either as an allocated or a billed cost) under Federal awards. Costs of central services omitted from the CAP will not be reimbursed.
 - b. The documentation requirements for all central service CAPs are contained in A-87, Attachment C, paragraph E. All plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with the record retention requirements contained in the A-102 Common Rule (45 CFR part 92).
5. *Required Certification* - No proposal to establish a central service CAP, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit, shall be accepted and approved unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan as set forth in A-87, Attachment C.
6. *Allocated Central Service Costs (Section I Costs)* - A carry-forward adjustment is not permitted for a central service activity that was not included in the previously approved plan or for unallowable costs that must be reimbursed immediately (A-87, Attachment C, paragraph G.3).
7. *Billed Central Service Costs (Section II Costs)*

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

- a. Internal service funds for central service activities are allowed a working capital reserve of up to 60 days cash expenses for normal operating purposes (A-87, Attachment C, paragraph G.2). A working capital reserve exceeding 60 days may be approved by the cognizant Federal agency in exceptional cases.
- b. Adjustments of billed central services are required when there is a difference between the revenue generated by each billed service and the actual allowable costs (A-87, Attachment C, paragraph G.4). The adjustments will be made through one of the following methods:
 - 1. A cash refund to the Federal Government for the Federal share of the adjustment, if revenue exceeds costs,
 - 2. Credits to the amounts charged to the individual programs,
 - 3. Adjustments to future billing rates, or
 - 4. Adjustments to allocated central service costs (Section I) if the total amount of the adjustment for a particular service does not exceed \$500,000.
- c. Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer (A-87, Attachment B, paragraph 22).

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

Allowable Costs - State/Local Department or Agency Costs - Direct and Indirect

The individual State/local 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 A-87.

While direct costs are those that can be identified specifically with a particular final cost objective, the indirect costs are those that have been incurred for common or joint purposes, and not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local 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 carrying out Federal awards, and (2) costs of central governmental services distributed through the State/local-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 A-87, Attachment E, paragraph B).

Compliance Requirements - State/Local Department or Agency Costs - Direct and Indirect

1. *Basic Guidelines* - Refer to the previous section, 'Allowable Costs - State/Local-Wide Central Service Costs, 1.a - Compliance Requirements-Basic Guidelines,' for the guidelines affecting the allowability of costs (direct and indirect) under Federal awards.
2. *Selected Items of Cost* - Refer to the previous section, 'Allowable Costs - State/Local-Wide Central Service Costs, 1.b - Compliance Requirements-Selected Items of Cost,' for the principles to establish allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect.
3. *Allocation of Indirect Costs and Determination of Indirect Cost Rates*
 - a. 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 the circular (A-87, Attachment E, 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 A-87, Attachment E, 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 A-87, Attachment E, paragraph C.4.)
 4. *Cost Allocation Plans* - In certain cases, the cognizant agency may require a State or local governmental 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

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Federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in 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 must be either submitted to the cognizant agency for review, negotiation and approval, or retained on file for inspection during audits.

4. *Submission Requirements*

- a. Submission requirements are identified in A-87, Attachment E, 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.
- b. A State/local department or agency for which a cognizant Federal agency has been assigned by OMB must submit its ICRP to its cognizant agency. Smaller local government departments or agencies which are not required to submit a proposal to the cognizant Federal agency must develop an ICRP in accordance with the requirements of A-87, and maintain the proposal and related supporting documentation for audit. Where a local government receives funds as a subrecipient only, the primary recipient will be responsible for negotiating and/or monitoring the subrecipient's plan.
- c. Each Indian tribal government desiring reimbursement of indirect costs must submit its ICRP to its cognizant agency, which generally is the Department of the Interior.
- d. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit's fiscal year.

5. *Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in A-87, Attachment E, 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 the A-102 Common Rule (45 CFR part 92).

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Allowable Costs - State Public Assistance Agency Costs

State public assistance agency costs are (1) defined as all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for services and goods provided directly to program recipients (e.g., day care services); and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP). The public assistance CAP provides a narrative description of the procedures that are used in identifying, measuring and allocating all costs (direct and indirect) to each of the programs administered or supervised by State public assistance agencies.

Attachment D of A-87 states that since the federally financed programs administered by State public assistance agencies are funded predominantly by HHS, HHS is responsible for the requirements for the development, documentation, submission, negotiation and approval of public assistance CAPs. These requirements are published in Subpart E of 45 CFR part 95.

Major Federal programs typically administered by State public assistance agencies include: Temporary Assistance for Needy Families (CFDA 93.558), Medicaid (CFDA 93.778), Supplemental Nutrition Assistance Program (CFDA 10.561), Child Support Enforcement (CFDA 93.563), Foster Care (CFDA 93.658), Adoption Assistance (CFDA 93.659), and Social Services Block Grant (CFDA 93.667).

Compliance Requirements - State Public Assistance Agency Costs

1. *Basic Guidelines* - Refer to the previous section, 'Allowable Costs - State/Local-Wide Central Service Costs, 1.a, Compliance Requirements-Basic Guidelines,' for the guidelines affecting the allowability of costs (direct and indirect) under Federal awards.
2. *Selected Items of Cost* - Refer to the previous section, 'Allowable Costs - State/Local-Wide Central Service Costs 1.b, Compliance Requirements-Selected Items of Cost,' for the principles to establish allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect.
3. *Submission Requirements*

Unlike most State/local-wide central service CAPs and ICRPs, an annual submission of the public assistance CAP is not required. Once a public assistance CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR section 95.509):

- a. The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the Federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- b. A material defect is discovered in the cost allocation plan.
- c. The State plan for public assistance programs is amended so as to affect the allocation of costs.
- d. Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The amendments must be submitted to HHS for review and approval.

4. *Documentation Requirements* - A State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. The public assistance CAP requirements are contained in 45 CFR section 95.507.
5. *Implementation of Approved Public Assistance CAPs* - Since public assistance CAPs are of a narrative nature, the Federal Government needs assurance that the cost allocation plan has been implemented as approved. This is accomplished by funding agencies' reviews, single audits, or audits conducted by the cognizant audit agency (A-87, Attachment D, paragraph E.1).

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Sections A & B are most often test together using the same sample. See also Section A.

As noted in the Guided Self-Assessment (GSA), the most significant administrative costs of the County JFS is compensation. Costs of compensation must be allocated by means of full-time equivalents (FTEs) and the RMS system, as set forth in the state cost allocation plan. The costs of providers should normally be charged directly to the benefiting program. Provider costs, including provider administrative costs, should not be charged to a cost pool as this would likely cause costs to be charged to non-benefiting programs, contrary to the federal cost allocation principles (OMB Circular A-87 / 2 CFR 225). Costs which are readily assignable as direct costs should be charged in that manner and not charged to a cost pool, unless required by the statewide cost allocation plan. Costs, whether charged directly or indirectly, should be charged only to benefiting federal programs. Subrecipients may not be paid any amounts in excess of allowable costs, whether as a fee or any other increment. For example, where a contractor is providing both WIA and TANF program services, each cost should be allocated by the contractor to the appropriate program and charged as direct program costs. On the other hand, where a contractor is providing general administrative services, such as the development of an agency-wide classification system for employees, those costs are not direct program costs. As the costs benefit all programs within the agency, they should be charged to the shared cost pool.

Counties have a cost allocation plan (CAP) for centralized services that includes County JFS Agencies. County JFS pays the County Auditor for their portion of the CAP.

Agencies place administrative expenditures in a pool; for combined agencies it is referred to as the shared cost pool. ODJFS allocates funding from the shared cost pool through FTE statistics and divides the expenditures into program cost pools (IM, SS, CS). Random Moment Sampling (RMS) statistics are used to allocate the expenditures in each of the separate program (IM, SS, CS) cost pools.

Auditors should be alert for the following:

- Expenditures reimbursed as part of the County CAP and being paid directly (could be charged directly to the program or allocated to a cost pool). Many County CAPs include rent therefore the County JFS should not be paying for rent as a direct expense. The County JFS could be paying the County twice for the same expenditure.
- Instances where County JFS offices may show these County CAP expenditures in the CFIS system even when they did not pay them to the County (offset by a negative expenditure in order to balance to the county auditor's records).
- Less than arm's length transactions (see example rent issue discussed below).

As noted in the ODJFS GSA, County family services agencies are not authorized under Ohio law to hold title to real property. The agencies routinely rent or lease (for federal grants management purposes, the terms are interchangeable) the facilities necessary for their operation. Rental costs are allowable costs to federal programs under OMB Circular A-87, Attachment B, item 37. However, rates must be reasonable in light of such factors as:

- Rental costs of comparable property, if any;
- Market conditions in the area;
- Alternatives available; and
- The type, life expectancy, condition, and value of the property leased.

If the County JFS rents facilities from the board of county commissioners, they are subject to additional restrictions under 2 CFR 225 (OMB Circular A-87). As the county family services agency and the board of county

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commissioners are “related parties,” a rental transaction between the two is considered a “less-than-arm’s-length” transaction. As a result, allowable rental costs are limited to the amount that would be allowed had title to the property vested in the governmental unit; i.e., depreciation, maintenance, taxes and insurance. If the lease amount is tied to a bond schedule for the repayment of the county’s indebtedness on the building in question, this amount may be more than the allowable rental costs under 2 CFR 225, and the excessive amount would not be an allowable cost to federal programs.

Please note if the County capitalizes the interest, they can’t charge the JFS depreciation + interest as this would result in the County double-charging for the interest.

See also OAC 5101:9-4-11 (eff. 2-17-12) Rental Costs and Lease Agreements for the rule governing this requirement. This rule is also referred to in FACCR Section F - Equipment and Real Property Management.

Note: ORC329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to import testing procedures from the non-ARRA boiler plate faccr. Also keep in mind costs incurred for the acquisition of buildings and land, as “capital expenditures,” are unallowable as direct charges, except where approved in advance by the awarding agency. See 2 CFR 225, Appendix B, Section 15 (b) (1).

OAC 5101:9-1-15 (eff. 1-30-09) states the expenditure of funds received by grantees of federal funds and their subrecipients must follow cost principles established in 2 C.F.R. part 225 and be in accordance with state and local requirements. Where federal, state, or local requirements differ, the most restrictive shall apply. Part (H) of this section lists selected items of costs where there is more restrictive policy based on Ohio law and/or where policy clarifications have been received.

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B. Allowable Costs/Cost Principles

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ICRP (Testing of the Program)

The ICRP is based upon costs charged to cost pools representing costs of a base year. The base year often precedes the year in which the ICRP is prepared and the year the resulting Indirect Cost Rate Agreement (IDCRA) is used to charge indirect costs. For example, a non-federal entity may submit an ICRP in January 2013, based upon costs incurred and charged to cost pools during fiscal year ending June 30, 2012 (2012), the base year. The resulting IDCRA negotiated during year ending June 30, 2013 (2013) would be used as the basis for charging indirect costs to federal awards in the year ended June 30, 2014 (2014). For this example, the term IDCRA will also include an ICRP which is not required to be submitted to the federal agency for indirect cost negotiation but is retained on file is first used to charge indirect costs to federal awards the same as an approved plan resulting in an IDCRA.

An audit timing consideration is that the audit for 2012 (which covers the applicable cost pools) may be completed before the ICRP is submitted. Therefore, as part of the audit, the auditor cannot complete testing of the ICRP. Also, if the auditor waits to test the ICRP until 2014 (the year when this ICRP is first used to charge federal awards), the auditor would be testing 2012 records which would then be two years old.

Continuing this example, when the IDCRA is the basis of material charges to a major program in 2014, the auditor for 2014 is required to obtain appropriate assurance that the costs collected in the cost pools and allocation methods are in compliance with 2 CFR 225 cost principles. The following are some acceptable options the auditor may use to obtain this assurance.

- Perform interim testing of the costs charged to cost pools (e.g., determine from management the cost pools that management expects to include the ICRP and test the costs charged to those pools for compliance with the cost principles of 2 CFR 225 during the 2012 audit. As part of the 2013 audit, complete testing and verify management's representation against the ICRP finally submitted in 2013.
- Test costs charged to the cost pools underlying the ICRP during the audit of 2013, the year immediately following the base year. This would require testing of 2012 transactions.
- Wait until 2014, the year in which charges from the IDCRA are material to a major program and test costs charged to cost pools (2012) used to prepare the ICRP. This is a much more difficult approach because it requires going back two years to audit the cost charged to cost pools of the base year.

Advantages of the first two methods are that the testing of the costs charged to the cost pools occurs closer to the time when the transactions occur (which makes audit exceptions easier to resolve). When material indirect costs are charged to any Type A program (determined in accordance with Circular A-133), auditors are strongly encouraged to use one of the first two methods. This is because under the risk-based approach, described in OMB Circular A-133, all Type A programs are required to be considered major programs at least in every three years and the IDCRA is usually used to charge federal awards for at least three years.

When the government submits an IDCRA, the government provides written assurance to the federal government that the plan includes only allowable costs. Accordingly, any material unallowable costs reflected in the ICRP should be reported as an audit finding in the year in which they are first found by audit.

An ICRP may result in an IDCRA that covers one year, but most often results in a multi-year IDCRA. When an ICRP has been tested in an prior year and this testing provides the auditor appropriate audit assurance, in subsequent years the auditor is only required to perform tests to ascertain if there have been material changes to

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B. Allowable Costs/Cost Principles

OMB Compliance Requirements

the cost accounting practices and, if so, that the federal cognizant agency for indirect cost negotiation has been informed.

The auditor should take appropriate steps to coordinate testing of costs charges to cost pools supporting an ICRP with the client and, as appropriate, with the federal cognizant agency for indirect cost negotiation.

The auditor should consult with the client in the base year and the year in which the ICRP is submitted to determine the best (e.g., most efficient) alternative under the circumstances.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

LIST OF SELECTED ITEMS OF COST CONTAINED IN 2 CFR 225 (codified OMB Circular A-87) (Effective August 31, 2005)

The following exhibit provides an updated listing of selected items of costs contained in 2 CFR 225 based on the changes contained in the *Federal Register* notice dated August 31, 2005. This is available at the following link:

http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf.

This exhibit lists the selected items of costs along with a cursory description of its allowability. The numbers in parentheses refer to the cost item in Appendix B of 2 CFR 225. The reader is strongly cautioned not to rely exclusively on this summary exhibit but to place primary reliance on the reference circular text. There are also cost items listed auditors may identify in the testing that are not specifically addressed in the CFR.

Selected Items of Cost	
Exhibit 1	
Selected Cost Item	2 CFR 225, Appendix B State, Local, & Indian Tribal Governments
Advertising and public relation costs	(1) – Allowable with restrictions
Advisory councils	(2) – Allowable with restrictions
Alcoholic beverages	(3) – Unallowable
Alumni/ae activities	Not specifically addressed
Audit costs and related services	(4) – Allowable with restrictions and as addressed in OMB Circular A-133
Bad debts	(5) – Unallowable
Bonding costs	(6) – Allowable with restrictions
Commencement and convocation costs	Not specifically addressed
Communication costs	(7) – Allowable
Compensation for personal services	(8) – Unique criteria for support
Compensation for personal services – organization furnished automobile	Not specifically addressed
Compensation for personal services - sabbatical leave costs	Not specifically addressed
Compensation for personal services - severance pay	(8)(g) - Allowable with restrictions
Contingency provisions	(9) – Unallowable with exceptions
Deans of faculty and graduate schools	Not specifically addressed
Defense and prosecution of criminal and civil proceedings	(10) – Allowable with restrictions
Depreciation and use allowances	(11) – Allowable with qualifications
Donations and contributions	(12) – Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)
Employee morale, health, and welfare costs	(13) – Allowable with restrictions
Entertainment costs	(14) – Unallowable
Equipment and other capital expenditures	(15) – Allowability based on specific requirements

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Fines and penalties	(16) – Unallowable with exceptions
Fundraising and investment management costs	(17) – Unallowable with restrictions
Gains and losses depreciable assets	(18) – Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)
General government expenses	(19) – Unallowable with exceptions
Goods or services for personal use	(20) – Unallowable
Housing and personal living expenses	Not specifically addressed
Idle facilities and idle capacity	(21) – Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions
Insurance and indemnification	(22) – Allowable with restrictions
Interest	(23) – Allowable with restrictions
Interest - substantial relocation	Not specifically addressed
Labor Relations Costs	Not specifically addressed
Lobbying	(24)-Unallowable
Lobbying - executive lobbying costs	(24.b.) – Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed (<i>Unallowable</i>)
Maintenance, operations and repairs	(25) – Allowable with restrictions (Maintenance, operations, and repairs)
Materials and supplies costs	(26) – Allowable with restrictions
Meetings and conferences	(27) – Allowable with restrictions
Memberships, subscriptions, and professional activity costs	(28) – Allowable as a direct cost for civic, community and social organizations with Federal approval; unallowable for lobbying organizations
Organizational costs	Not specifically addressed
Page charges in professional journals	(34.b)-Allowable with restrictions (addressed under “Publication and printing costs”)
Participant support costs	Not specifically addressed
Patent costs	(29) – Allowable with restrictions
Pension plans	(8e) – Allowable with restrictions
Plant and homeland security costs	(30) – Allowable with restrictions
Pre-award costs	(31) – Allowable with restrictions (Pre-award costs)
Professional services costs	(32) – Allowable with restrictions
Proposal costs	(33) – Allowable with restrictions
Publication and printing costs	(34) – Allowable with restrictions
Rearrangement and alteration costs	(35) – Allowable (ordinary and normal); Allowable with Federal prior approval (special)
Reconversion costs	(36) – Allowable with restrictions
Recruiting costs	(1.c.(1)) – Allowable with restrictions (addresses costs of advertising only)
Relocation costs	Not specifically addressed
Rental cost of buildings and equipment	(37) – Allowable with restrictions
Royalties and other costs for use of patents	(38) – Allowable with restrictions

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OMB Compliance Requirements

Scholarship and student aid costs	Not specifically addressed
Selling and marketing costs	(39) – Unallowable with exceptions
Specialized service facilities	Not specifically addressed
Student activity costs	Not specifically addressed
Taxes	(40) – Allowable with restrictions
Termination costs applicable to sponsored agreements	(41) – Allowable with restrictions
Training costs	(42) – Allowable for employee development
Transportation costs	Not specifically addressed
Travel costs	(43) – Allowable with restrictions
Trustees	Not specifically addressed

PART III

C. Cash Management

OMB Compliance Requirements

Compliance Requirements

When awards provide for advance payments, recipient must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement and establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

U.S. department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions under which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury is Subpart B of 31 CFR part 205 (Subpart B).

Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 USC 6501 *et seq.*) and the Indian Self-Determination Act (23 USC 450), interest earned by local government and Indian tribal government grantees and subgrantees on advances is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Interest earned by non-State non-profit entities on Federal fund balances in excess of \$250, regardless of the funding agency, is required to be remitted to Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Note: Violations of cash management rules alone generally should not result in a questioned cost unless the entity spent the interest earnings related to the excess grant cash balances on hand throughout the year (these monies would be payable back to the pass-through/federal agency). Further, the interest earnings expended must exceed \$10,000 in a single major program to be a questioned cost. (Source: AOS CFAE)

Source of Governing Requirements

The requirements for cash management are contained in the A-102 Common Rule (§____.21) (codified under 45 CFR part 92), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

Availability of Other Information

Treasury's Bureau of the Fiscal Service maintains a Cash Management Improvement Act web page (<http://www.fms.treas.gov/cmia/>).

PART III

C. Cash Management

ODJFS Compliance Requirements

Keep in mind when testing cash management, FAET is a small part of the SNAP program that is on a reimbursement basis. The remainder of the SNAP program is on an advance basis (Funding is based on expenditures but is not on a reimbursement basis.). See also Section L (Reporting).

ODJFS Subgrant Agreement, Article V. Amount of Grant/Payments, Section B indicates the “SUBGRANTEE will limit cash draws from ODJFS to the minimum amount needed for actual, immediate requirements in accordance with Cash Management Improvement Act, 31 CFR Part 205, 45 CFR Parts 74 and 92, 7 CFR Part 3016, Transmittal No. TANF-ACF-PI-01-02 issued by the United States Department of Health and Human Services, and ODJFS requirements including Chapter 7 (OAC 5101:9-7-03) of the Fiscal Administrative Procedures Manual.”

OAC 5101:9-7-03 Public assistance (PA) financing and cash management is the State rule for cash management. The rule can be found in chapter 7 of the Fiscal Administrative Procedures Manual, which is available <http://emanuals.odjfs.state.oh.us/emanuals/> .

For federal references see [7 CFR 3016](#), [45 CFR 92.20](#) (Part 74 is for Higher Ed) and [31 CFR 205](#) or here [CFR lookup](#) (select year 2013 if using the CFR lookup).

The requirements for cash management for the Department of Health and Human Services contained in [45 CFR 92.20](#), are as follows:

Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

PART III

F. Equipment and Real Property Management

OMB Compliance Requirements

Compliance Requirements

Equipment Management

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.

Local governments and Indian tribes shall follow the A-102 Common Rule (45 CFR part 92) for equipment acquired under Federal awards received directly from a Federal awarding agency. Basically, the A-102 Common Rule (45 CFR part 92) requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5000, or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Source of Governing Requirements-Equipment

The requirements for equipment are contained in the A-102 Common Rule (§ ____.32) (45 CFR part 92), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

Real Property Management – **Per ODJFS, SNAP monies cannot be used for acquiring real property.**

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F. Equipment and Real Property Management

ODJFS Compliance Requirements

ODJFS Program Specific Information

The use, management and disposition of equipment acquired under a subgrant of federal monies is subject to the requirements of 45 CFR 92.32 and Ohio Administrative Code (OAC) Rules 5101:9-4-02, Standards of Acquisition, 5101:9-4-15, Disposal of Assets, 5101:9-4-10, Asset Reimbursement Methods and 5101:9-4-11 Rental Costs and Lease Agreements.

Note: FAPMTL 301 updated OAC 5101:9-4-10 (effective 9/9/14) the update incorporates new OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. This guidance is effective for programs awarded by the Federal Awarding Agencies on or after 12/26/14. In our communication with ODJFS, awards made for SFY 16 will be subject to the new federal requirements. While the actual OAC has now been updated with the new requirements, we can still view the text for the previous rule using the ODJFS Fiscal Administrative Procedure Manual ([http://emanuals.odjfs.state.oh.us/emanuals/GetTocDescendants.do?nodeId=%23node-id\(389\)&maxChildrenInLevel=100&version=8.0.0](http://emanuals.odjfs.state.oh.us/emanuals/GetTocDescendants.do?nodeId=%23node-id(389)&maxChildrenInLevel=100&version=8.0.0)), you will need to select chapter 7 and then the appropriate code section in the drop down. The OAC chapter will then have a link into the previous guidance.

45 CFR § 92.32 Equipment.

- (a) *Title.* Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.
- (b) *States.* A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section.
- (c) *Use.*
 - (1) Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
 - (2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.
 - (3) Notwithstanding the encouragement in § 92.25(a) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute.
 - (4) When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.
- (d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition

PART III

F. Equipment and Real Property Management

ODJFS Compliance Requirements

of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- (e) *Disposition.* When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:
- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
 - (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
 - (3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.
- (f) *Federal equipment.* In the event a grantee or subgrantee is provided federally-owned equipment:
- (1) Title will remain vested in the Federal Government.
 - (2) Grantees or subgrantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory listing.
 - (3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the Federal agency.
- (g) *Right to transfer title.* The Federal awarding agency may reserve the right to transfer title to the Federal Government or a third part named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers shall be subject to the following standards:
- (1) The property shall be identified in the grant or otherwise made known to the grantee in writing.
 - (2) The Federal awarding agency shall issue disposition instruction within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar-day period the grantee shall follow Sec. 92.32(e).
 - (3) When title to equipment is transferred, the grantee shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

OAC 5101:9-4-02 (eff.1-22-10) states "Each CFSA and WDA shall develop written acquisition standards. These acquisition standards shall comply with all applicable federal and state acquisition statutes, regulations, rules, and circulars. The written standards shall also contain all relevant requirements of the provisions of this chapter, including the requirements listed in rule 5101:9-4-07 of the Administrative Code."

OAC 5101:9-4-15 (eff. 2-4-12) states "Assets acquired in whole or in part with federal funds must be disposed of in compliance with 2 (C.F.R.) part 225, 7 C.F.R. part 277, 29 C.F.R. part 97, and 45 C.F.R. part 92 and part 95 in accordance with state and local requirements. The most restrictive regulations shall apply." This section also states the County Commissioners must be notified for disposal of assets and gives disposal options when an asset is not needed for public use or is obsolete or unfit for the use for which it was acquired.

PART III

F. Equipment and Real Property Management

ODJFS Compliance Requirements

OAC 5101:9-4-11 (eff. 2-17-12) states “The county family service agency shall follow federal, state, and local regulations when seeking federal financial participation (FFP) for the costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with 2 C.F.R. part 225.” This section also gives guidance on determining the reasonableness of the costs.

PART III

G. Matching, Level of Effort, Earmarking

OMB Compliance Requirements

Compliance Requirements

The OMB Compliance requirements are either tested by the State Region or not applicable per ODJFS; however, there are ODJFS matching requirements. County/District JFS costs of administering the program are part of the state cost allocation plan and mandated share. If the County/District needs more, they have to show a match is available.

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

However, for matching, the A-102 Common Rule (§ _____.24) (codified in 45 CFR 92) provide detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

- Are verifiable from the non-Federal entity's records.
- Are not included as contributions for any other federally-assisted project or program, unless specifically allowed by Federal program laws and regulations.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowed under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be allowable for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.
- Conform to other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

Matching, level of effort, and earmarking are defined as follows:

1. *Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).
2. *Level of effort* - Not Applicable
3. *Earmarking* - Not Applicable

Source of Governing Requirements

The requirements for matching are contained in the A-102 Common Rule (§ _____.24) (codified under 45 CFR part 92), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

OMB Specific Information

Matching

The State is required to pay 50 percent of the costs of administering the program. Exceptions to this 50 percent reimbursement rate include 100 percent grants to:

1. Administer the Employment and Training component of the program (7 CFR section 277.4(b)); and
2. Provide nutrition education and obesity prevention services, beginning October 1, 2010 (7 USC 2036a, Section 241 of Pub. L. No. 111-296, 124 Stat. 3183, December 13, 2010).

PART III

G. Matching, Level of Effort, Earmarking OMB Compliance Requirements

The Federal reimbursement will decrease and the State share of administrative costs will increase by an amount equal to certain common certification costs grand-fathered into the States' TANF grant levels but attributable to SNAP (7 USC 2025(k)). The amount of each State's downward adjustment was determined by the Department of Health and Human Services, and the States were notified by letter.

Costs of payment error rate reduction activities conducted under reinvestment agreements with FNS are not eligible for any level of Federal reimbursement. Private in-kind contributions are not allowable to count toward the State's share of the program's administrative cost (7 CFR sections 277.4(c) and 275.23(e)(10)).

PART III

G. Matching, Level of Effort, Earmarking ODJFS Compliance Requirements

ODJFS Program Specific Information

BCFTA update 2013-13 outlines changes to the FAET funding. Additional funding streams were added and as a result there were changes and or additions to the FAET financial coding and FAET RMS coding. The financial coding changes were effective 10-1-12 and the RMS coding changes on 12-1-12. As a result of the changes, a portion of the FAET allocations will be 100% federal and another 50% with a 50% match. The existing allocation is 100%. The FAET operating and participant allocations will be 50% federal and 50% state. Counties should exhaust the regular FAET before using the additional funding streams.

Auditors should review the BCFTA update for financial and RMS codes

http://jfs.ohio.gov/ofs/bcfta/BB/20121119_BCFTA_Update_2013-13_FAET_Funding.pdf

For SNAP administrative expenses the Federal Share is 50% so the County JFS would be reimbursed 50% from the Federal share and use 50% from State (IM) or use local monies for match requirements. When the County requests funding, the required match of IM funding is automatically sent with the Federal share (until the IM allocation is exhausted). This IM allocation is programmed into CFIS so auditors are not required to test the IM allocation. The amount of Federal funding is unlimited as long as the County can provide the matching funds.

Once the County uses all their IM allocation, they must use local funding for the 50% match. County JFS share of administering the program is included in the County's mandated share amount. If the mandated share is exhausted, the County may use additional allowable local monies to meet the required share.

PART III

H. Period of Availability of Federal Funds

OMB Compliance Requirements

Compliance Requirements

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, § ____.23 (45 CFR part 92)).

Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request (A-102 Common Rule, § ____.23 (45 CFR part 92)).

Source of Governing Requirements

The requirements for period of availability of Federal funds are contained in the A-102 Common Rule (§____.23) (45 CFR part 92)), program legislation Federal awarding agency regulations, and the terms and conditions of the award.

Definition of Obligation - An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for (34 CFR section 76.707) (OMB Circular A-133 Compliance Supplement, Part 4, Department of Education Cross-Cutting –is referred to in Part 3 as an example for all federal agencies):

IF AN OBLIGATION IS FOR --	THE OBLIGATION IS MADE --
(a) Acquisition of real or personal property.	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee.	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee.	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services.	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services.	When the State or subgrantee receives the services.
(f) Travel.	When the travel is taken.
(g) Rental of real or personal property.	When the State or subgrantee uses the property.
(h) A pre-agreement cost that was properly approved by the State under the applicable cost principles.	On the first day of the subgrant period.

The act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity within a State does not constitute an obligation for the purposes of this compliance requirement. An SEA or other grantee may not reallocate grant funds from one subrecipient to another after the period of availability.

If a grantee or subgrantee uses a different accounting system or accounting principles from one year to the next, it shall demonstrate that the system or principle was not improperly changed to avoid returning funds that were

PART III
H. Period of Availability of Federal Funds
OMB Compliance Requirements

not timely obligated. A grantee or subgrantee may not make accounting adjustments after the period of availability in an attempt to offset audit disallowances. The disallowed costs must be refunded.

PART III

H. Period of Availability of Federal Funds

ODJFS Compliance Requirements

Agencies may occasionally have 2 grants open at the same time. (Example: Both TANF FFY 13 and TANF FFY 14 will be available during the Oct 2013 – Dec 2013 quarter.) It is important for agencies to consider the period of availability and the liquidation period of those grants, as entered into CFIS, in order to make the appropriate grant choice during this time.

Other than claims for Title XX funding, DHHS allows a State to file a claim for FFP within 2 years after the calendar quarter in which the expenditure was made (45 CFR 95.7.) See OMB Specific Information on previous page. County agencies must report those expenditures to ODJFS within 7 calendar quarters after the expenditure was made to ensure the State reports the expenditure within the time frames. (Please refer to 45 CFR 95.13 regarding how to determine when an expenditure was made.)

Per ODJFS, Federal regulations in 45 CFR 95.13 define incurred as the quarter in which a payment was made even if the payment was for a month in a previous quarter. And for depreciation – the quarter the expenditure was recorded in the accounting records.

Because of the two-year time limit, agencies have the option of posting expenditures incurred prior to 9/30/13 (and after 10/1/12) to either the FFY 13 grants or FFY 14 grants. Expenditures may be charged to a future grant (within 2 years) but cannot be charged to a grant that is past its period of availability.

- Agencies are encouraged to utilize FFY 13 allocation balances by completing a Post Allocated Adjustment (PAA) for expenditures that occurred for services as of 9/30/2013,
- Agencies may not, under any circumstances, post expenditures incurred after 9/30/13 to a FFY 13 grant. FFY 14 grants must be used for expenditures incurred on or after the beginning of the new FFY (10/1/13.)

Accessing FFY 13 Grants

- FFY 13 grants began on 10/01/2012 and are available through 9/30/2013. The liquidation period for the FFY 13 grants is 10/01/2013 – 12/31/2013; agencies may draw through Week 52 and report expenditures against this grant through the Oct – Dec reporting period.
- During the liquidation period, agencies may post expenditures for services which occurred prior to 9-30-2013 to FFY 13 grants through a Post Allocated Adjustment (PAA).
- It is important to note that when doing a PAA to access FFY 13 grants that have a match that only the FFP portion is moved through the PAA adjustment. Examples of grants that have match are IV-B, ESSA, Caseworker Visits etc.

Accessing FFY 14 Grants

- FFY 14 grants begin on 10/01/2013 are available for expenditures incurred through 9/30/2014. FFY 14 grants will have a liquidation period of 10/01/2014 – 12/31/2014; agencies may post expenditures and submit draw requests until 12/31/2014.
- Since the FFY 14 grants begin on 10/01/2013 expenditures posted via PET or CFIS Web will automatically be mapped to the FFY 14 grants.
- Agencies only need to do a PAA for those expenditures that they are opting to move to the FFY 13 grant (those incurred before 10/1/13). Again, a PAA for this purpose is not a requirement; it is an option for those with remaining FFY13 balances.

PART III

I. Procurement and Suspension and Debarment

OMB Compliance Requirements

Compliance Requirements

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule (45 CFR part 92).

Source of Governing Requirements-Procurement

The requirements for procurement are contained in the A-102 Common Rule (§ _____.36) (45 CFR part 92)), program legislation; Federal awarding agency regulations, and the terms and conditions of the award. The specific references for the A-102 Common Rule (45 CFR part 92), respectively are given for each suggested audit procedure indicated below.

For local governments in Ohio, testing compliance with State and Local procurement laws and policies will generally be sufficient to address the federal procurement requirements. Where significant weaknesses in procurement controls are noted, or when questionable procurement practices are used for a significant amount/number of procurements, auditors should refer to 45 CFR 92 section and the terms of the specific award.

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 those procurement contracts for goods and services awarded under a nonprocurement 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 section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

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 section 180.995 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 *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (note: **EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS**), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Non-profit entities receiving contracts from the Federal Government are required to comply with the contract clause at Federal Acquisition Regulation (FAR) 52.209-6 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, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR adopting the OMB guidance; the A-102 Common Rule (§ _____.36) (45 CFR part 92); program legislation; Federal awarding agency regulations; and the terms and conditions of the award. Most of the Federal agencies have adopted this guidance and relocated their associated agency rules in Title 2 of the CFR as

PART III

I. Procurement and Suspension and Debarment

OMB Compliance Requirements

final rules. For any agency that has not completed its adoption of 2 CFR part 180, pending completion of that adoption, agency implementations of the common rule remain in effect. Appendix II includes the current CFR citations for all agencies. In either case, the applicable requirements are specified in the terms and conditions of award.

OMB Specific Information

Procurement and Suspension and Debarment

1. *ADP Systems Development* - For competitive acquisitions of ADP equipment and services costing \$5 million or more (combined Federal and State shares), the State must submit an Advanced Planning Document (APD) for the costs to be approved and allowable as charges to FNS. This threshold is for the total project cost. Effective March 3, 2014, the \$5 million threshold was increased to \$6 million. In addition, noncompetitive acquisitions of \$1 million or more require an APD. Contracts resulting from noncompetitive procurements of more than \$1 million and contracts for EBT systems, regardless of cost, also must be provided to FNS for review (7 CFR section 277.18).

2. *Procurement* - Regardless of whether the State elects to follow State or Federal rules in accordance with the A-102 Common Rule, the following requirements must be followed for procurements initiated on or after October 1, 2000:
 - a. A State or local government shall not award a contract to a firm it used to orchestrate the procurement leading to that contract. Examples of services that would disqualify a firm from receiving the contract include preparing the specifications, drafting the solicitation, formulating contract terms and conditions, etc. (7 CFR section 3016.60(b)).
 - b. A State or local government shall not apply in-State or local geographical preference, whether statutorily or administratively prescribed, in awarding contracts (7 CFR section 3016.60(c)).

PART III

I. Procurement and Suspension and Debarment ODJFS Compliance Requirements

See OAC 5101:9-4-02 Standards for Acquisition. (eff.1-22-10).

As noted in ODJFS' Guided Self-Assessment (GSA):

45 CFR 92.36 includes procurement requirements.

Section (d) currently authorizes the use of four procurement methods. These methods are:

- Small purchase procedures;
- Sealed bids;
- Competitive proposals; and
- Noncompetitive proposals.

The federal regulation provides specific requirements as to the circumstances under which each procurement method may be used and as to the manner in which each procurement method is applied. All procurements with federal monies are to be made in accordance with one of the four approved procedures.

OAC 5101:9-4-07 (eff. 1-30-12) also includes the procurement requirements as noted below in GSA under 45 CFR 92.36. Auditors should review these requirements for specific information on the procurement methods.

OAC 5101:9-4-07.1 (eff. 1-30-12) provides a detailed procurement methods.

Auditors should review OAC 5101:9-4-07, 5101:9-4-07.1 and 45 CFR 92.36 for further detail on the procurement methods above as well as other procurement requirements. The rule updates do not change the requirements or allowable methods of procurement, but have only been formatted to provide a better understanding of the competitive and noncompetitive process. The ODJFS Guided Self-Assessment (GSA) includes specific references for 45 CFR 92.36.

See also Procurement resources available on ODJFS BCFTA Technical Materials website at:

<http://jfs.ohio.gov/ofs/bmcs/Procurement.pdf> .

PART III

L. Reporting

OMB Compliance Requirements

Compliance Requirements

There are currently no OMB reporting requirements for Counties, the specific OMB reporting requirements are tested at the state level.

OMB Specific Information

Special Reporting

Note: The requirement for State agencies to automate their SNAPs includes automation of reporting requirements (7 CFR section 272.10(b)(2)(vi)). The testing to ensure accuracy and completeness of the following reports should be coordinated with the testing of the ADP System for SNAP (see III.N.1 - 'Special Tests and Provisions - ADP Systems for SNAP').

1. FNS-46 - *SNAP Issuance Reconciliation Report (OMB No. 0584-0080)*. This monthly report is used to account for benefits issued during a report month for each issuance reconciliation point. The FNS-46 reports the reconciliation of SNAP benefits actually issued with the State's (or county's in county-run operations) Master Issuance File. The Master Issuance File contains records on all households eligible to receive benefits (such as a listing of the households and the benefits each is authorized to receive). Actual issuances may be recorded in the Record for Issuance (RFI) or alternative filing system. The RFI is created from the Master Issuance File and shows the amount of benefits the household is eligible to receive and the actual amount issued. Generally, one FNS-46 covers the entire State. However, if a State concurrently operates more than one type of issuance system (e.g., over-the-counter issuance, mail issuance, etc.), its FNS-46 report(s) must separately identify the amount of benefits issued under each system.

Key Line Items - The following line items contain critical information.

- a. Line 6 - *Total Issuance this month*
- b. Line 7 - *Returns during current month*
- c. Line 9 - *Value of authorized replacements(s) transacted*

2. FNS-209 - *Status of Claims Against Households (OMB No. 0584-0069)*. If a household receives more SNAP benefits than it is entitled to receive, the State must establish a claim against that household and demand repayment (7 CFR section 273.18 (a)). The State is required to create and maintain a system of records for monitoring these claims against households. These State systems generate the data entered on the FNS-209 report. The minimum requirements for such systems are listed at 7 CFR section 273.18(m). The State is permitted to retain a portion of the collected repayments: 35 percent of the recovered funds from claims involving fraud or other intentional program violations; 35 percent of the funds recovered from claims generated by inadvertent household errors, collected by reducing a person's unemployment compensation benefits; and 20 percent of the recovered funds from inadvertent household error claims collected by other means. No portion of funds recovered from agency-error overpayments may be retained (7 CFR section 273.18(k)).

Key Line Items - The following line items contain critical information.

- a. Line 3a *Beginning Balance*, and line 13 *Ending Balance* - represent the beginning and ending balances, respectively, of the claims. Columns A, B, and C represent the number and amount of claims by claim type (i.e., intentional program violation, inadvertent household error, and State agency administrative error). The aggregate value of claims activity from the subunits should equal the State totals. The beginning and ending balances should represent the total of individual claims that comprise these balances.
- b. Line 14 *Cash, Check, and M.O.* - represents total claims payments made in the form of cash, checks, or money orders.

PART III

L. Reporting

OMB Compliance Requirements

- c. Line 15 *SNAP* - represents all payments in the form of EBT benefit returns.
- d. Line 16 *Recoupment* - represents the value of collections made through allotment reductions.
- e. Line 17 *Offset* - represents the total value of collections made by offsetting restored benefits against outstanding claim balances.
- f. Line 18b *Cash Adj.*(+ or -) - represents amendments or corrections to the collection summary of a previous report.
- g. Line 18c *Non-Cash Adj.* (+ or -) - represents amendments or corrections to the collection summary of a previous report relative to the return of SNAP, recoupment, or offsetting transactions.
- h. Line 19 *Transfers* (+ or -) - represents the claims that were contained in the collection summary of a previous report and which are being transferred from one claim category to another claim category.
- i. Line 20a *Cash Refunds* - represents the value of cash refunds provided to households that overpaid claims.
- j. Line 20b *Non-Cash Refunds* - represents the value of non-cash refunds provided to households that overpaid claims.
- k. Lines 21 *Total*, and 28 *Total Letter of Credit Adjustments* - represent the Total Collection Summary and the Total Letter of Credit Adjustments. The aggregate value of claims collection activity from the subunits should equal the State totals.

Subaward Reporting under the Transparency Act - Applicable to non-ARRA funds in States in which the SNAP is State-supervised but county-administered. County agencies in such States receive subgrants for their SNAP administrative costs.

PART III

L. Reporting

ODJFS Compliance Requirements

OAC 5101:9-7-03 and **5101:9-7-03.1**, provide guidance on the financing, cash management, and quarterly reconciliation (including some CR 520/Form 02827 reporting requirements). Public Assistance (PA) funds are determined quarterly and disbursed weekly to the County JFS, upon receipt of the county cash draw request for funds. Available funds are limited by state appropriation and federal grant awards. All payments are issued via electronic funds transfer (EFT). County JFS shall report receipt of revenue, disbursements of funds and provide documentation to justify the allocation of costs and various funds by the submission of the Income Maintenance RMS – Random Moment Sample Observations or the Social Services Random Moment Sample Observations. A state expenditure reconciliation report of the PA data subset is prepared quarterly to show a summary of net expenditures and receipts. The county agency is given the opportunity to review the reconciliation (over / under) reports for accuracy. The quarterly PA fund reconciliation review requirement is intended to correct instances where ODJFS or the county agency discover errors, i.e. incorrect splits of shared costs or wrong allocations, incorrect time study codes, and/or JFS 02827 codes and expenditures. Quarterly close - The PA fund is reconciled each quarter based on the final reconciliation reports.

Please note: Counties often refer to the grant reconciliation reports as the Over / Under Reports.

As the result of an internal five-year rule review and to reflect the most current funding practices available, ODJFS communicated in FAPMTL 241 (dated 3-28-12) rule 5101:9-7-06 titled "Reporting Collections and Earnings on Erroneous Payment Recoveries" which includes information on the earnings for the recovery of erroneous payments in addition to current reporting procedures. To ensure reporting is correct at the state level, it is imperative that the CDJFS report collections of benefits from past years separately from the collection of benefits that were issued during the current state fiscal year (SFY). This requirement is paragraph (F) in the rule. ODJFS established coding and communicated that coding via a Bureau of County Finance Technical Assistance (BCFTA) update 2013-15 (dated 1/10/2013). See <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL241> and <http://jfs.ohio.gov/ofs/bcfta/BB/20130110-BCFTA-Update-2013-15-New-Receipt-Coding.stm>

OAC 5101:9-7-06 Reporting Collections and Earning on Erroneous Payment Recoveries (Eff. 3-30-12)

- A. When a public assistance recipient has received a cash or benefit overpayment for general assistance (GA), disability financial assistance (DFA), temporary assistance for needy families (TANF) or aid to dependent children (ADC) assistance, family emergency assistance (FEA) medical, child care, Medicaid, food assistance (FA), early learning initiative (ELI), employment retention incentive program (ERI) or prevention, retention and contingency (PRC);, the county department of job and family services (CDJFS) shall recover the funds.
- B. As outlined in section 5107.76 of the Revised Code, a CDJFS is entitled to earnings for the recovery of erroneous payments. Earnings for recovery of erroneous payments do not apply to participant expense allowances or other support service cash benefits. The CDJFS may recover erroneous payments through benefit reduction or through cash collections.
- C. Earnings for recovery of erroneous payments apply to overpayments recovered through benefit reduction. Net overpayment amounts result in earnings when collected and appropriately reported. The CDJFS may verify earnings from collections amounts using its own county's "GRP670RA" report. This is a detailed report of all Ohio works first (OWF) and ADC erroneous payments collected through benefit reduction.
- D. The CDJFS reports erroneous payment collections that qualify for earnings and the Ohio department of job and family services (ODJFS) issues earnings as follows:

PART III

L. Reporting

ODJFS Compliance Requirements

- 5.) FA:
- a) The CDJFS shall deposit cash collections of erroneous payments into the PA fund and report collections on the CR 520/JFS 02827.
 - b) The CDJFS does not report other forms of collections, including benefit reductions and treasury offset program (TOP) payments found on report "GBV030RB" in "Control-D" on the CR 520/JFS 02827.
 - c) At the end of each month, the CDJFS calculates the FA earnings from collections as outlined in rule 5101:4-8-23 of the Administrative Code. The CDJFS reports the earnings on the CR 520/JFS 02827 using codes established by ODJFS for this purpose.
- E. In addition to collections that are eligible for earnings, the CDJFS shall also report the following erroneous payment collections as receipts on the CR 520/JFS 02827:
- a. Cancellations, collections, refunds, or other GA receipts;
 - b. Collections of erroneous payments for FEA medical;
 - c. Collections of ADC erroneous payments made prior to October 1, 1987;
 - d. Cancellations, collections, refunds, or other child care receipts;
 - e. Collections of erroneous payments of ELI funds;
 - f. Collections of erroneous payments of ERI funds; and
 - g. Collections of PRC.
- F. The CDJFS will report collections of benefits that were issued in a previous fiscal year separately than the collections of benefits that were issued during the current SFY.
- G. ODJFS will include the erroneous payment collections, as reported on the JFS 02827, on the over/under report and collect them as part of the quarterly close calculation.

COUNTY LEVEL REQUIREMENTS – can be tested in conjunction with other programs requiring the same form.

In order for ODJFS to prepare the financial reports required, they must obtain financial information from the counties. The CR 520/ 2827 is loaded into CFIS web, however the County Auditor still needs to sign and certify the final report. If the report in CFIS web is not signed is not considered final. After the report is signed it cannot be changed. The signed report itself cannot be uploaded into CFIS Web, it is submitted to ODJFS. See OAC 5101:9-7-03, 5101:9-7-03.1 & 5101:9-7-29. Tests related to reporting at the county level for public assistance will be limited to the 02827 form and include the following:

1. The CDJFS director must certify the accuracy and amount of disbursements in Section C.
2. The signed quarterly financial statement (CR 520 report) shall submitted to ODJFS no later than the 10th day of the second month following the quarter the report represents.

Please note: The 02827/ CR 520 should be reported on a cash basis.

The Counties are also required to include cash or benefit overpayments on CR 520/JFS 02827. Counties retain benefit recoveries monies (incentive monies) and report quarterly on the CR 520/JFS 02827 to offset future draws from ODJFS. Most recoveries are from court convictions and many are uncollectible. The County recovers collectible benefits via payback plans or a reduction in benefits.

Counties can also receive spend down monies if recipients are part of spend down program. Counties can receive payment for spend down requirements or they may require the recipient to bring in receipts to support spend down requirement. If the County does accept monies, they should have established spend down collection

PART III

L. Reporting

ODJFS Compliance Requirements

procedures. Counties enter these monies into CFIS and like recoveries, report quarterly on the CR 520/JFS 02827 and offset future draws from ODJFS.

ODJFS 02827 form and instructions can be found at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm> .

Counties are still required to submit monthly financial data as an upload in CFIS no later than the eighteenth day of the month following the month of the transaction (see OAC 5101:9-7-29)

Auditors should test the ODJFS 02827 Form/ CR 520 in conjunction with other programs also reported on the Form. The following is a list of programs reported on the ODJFS 02827/ CR 520 Quarterly Financial Statement Public Assistance Fund Certification Sheet:

<p>Medicaid CHIP / SCHIP Food Assistance / SNAP TANF Child Care Cluster Social Service Block Grant</p>
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PART III

M. Subrecipient Monitoring

OMB Compliance Requirements

Compliance Requirements

NOTE: Transfers of Federal awards to another component of the same auditee under OMB Circular A-133 do not constitute a subrecipient or vendor relationship.

A pass-through entity is responsible for:

- *Determining Subrecipient Eligibility* - In addition to any programmatic eligibility criteria under E, "Eligibility for Subrecipients," for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- *Award Identification*- At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name, and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring*- Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits*- (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at https://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
Ensuring Accountability of For-Profit Subrecipients - Awards also may be passed through to for-profit entities. For-profit subrecipients are accountable to the pass-through entity for the use of Federal funds provided. Because for-profit subrecipients are not subject to the audit requirements of OMB Circular A-133, pass-through entities are responsible for establishing requirements, as needed, to ensure for-profit subrecipient accountability for the use of funds.
- *Pass-Through Entity Impact*- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- *Program complexity*- Programs with complex compliance requirements have a higher risk of non-compliance.
- *Percentage passed through*- The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- *Amount of awards*- Larger dollar awards are of greater risk.
- *Subrecipient risk*- Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring [e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems]. Evaluation of

PART III

M. Subrecipient Monitoring

OMB Compliance Requirements

subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- *Reporting*- Reviewing financial and performance reports submitted by the subrecipient.
- *Site Visits*- Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- *Regular Contact*- Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Agreed-upon procedures engagements

A pass-through entity may arrange for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass-through entity determines the procedures to be used and compliance areas to be tested, these agreed-upon procedures engagements enable the pass-through entity to target the coverage to areas of greatest risk. The costs of agreed-upon procedures engagements is an allowable cost to the pass-through entity if the agreed-upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$500,000 for fiscal years ending after December 31, 2003) for the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting (OMB Circular A-133 (§ ____.230(b)(2))).

Source of Governing Requirements

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§ ____.225, § ____.310(d)(5), § ____400(d)), A-102 Common Rule (§ ____.37 and § ____.40(a)) (45 CFR part 92), 2 CFR parts 25 and 170, and 48 CFR parts 4, 42, and 52 Federal awarding agency regulations, and the terms and conditions of the award.

PART III

M. Subrecipient Monitoring

ODJFS Compliance Requirements

ODJFS Program Specific Information

Per ODJFS, the Food Assistance eligibility process cannot be contracted out to subrecipients; however, work and training services can be contracted out to subrecipients. Auditors should review contracts entered into by the County JFS for services to determine if a subrecipient relationship exists. Auditors should also look for reoccurring expenditures to determine if such a relationship exists without entering into a formal contract.

ODJFS subrecipient monitoring tools 1) Subrecipient / Vendor Checklist; 2) Subrecipient / Vendor Example (Criteria Summary); 3) (Subrecipient) Monitoring Checklist; 4) Risk Assessment Tool are all available at <http://jfs.ohio.gov/ofs/bmcs/TechMaterial.stm> .

ODJFS has a mandated process for subrecipient monitoring in OAC 5101:9-1-88 Subrecipient annual risk assessment review and subrecipient monitoring process.

PART III

N. Special Tests and Provisions

OMB Compliance Requirements

This OMB Special Test and Provision will be tested at by the State Region.

Per ODJFS, there are no County level requirements to be tested.

OMB Specific Information

ADP System for SNAP

Note: See III.E.1, 'Eligibility - Eligibility for Individuals,' for the reason why the testing of the ADP system for SNAP is under this special test and provision instead of under Eligibility.

Compliance Requirement - State agencies are required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP (7 CFR sections 272.10 and 277.18). This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and, (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.

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N. Special Tests and Provisions

OMB Compliance Requirements

EBT Reconciliation

Compliance Requirement - States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. States (generally through the EBT contractor that operates the EBT system) must also have systems in place to reconcile retailer credit activity as reported into the banking system to client transactions maintained by the processor and to the funds drawn down from the EBT benefit account with Treasury. States' EBT system processors should maintain audit trails that document the cycle of client transactions from posting to point-of-sale transactions at retailers through settlement of retailer credits. The financial and management data that comes from the EBT processor is reconciled by the State to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down. States may only draw Federal funds for authorized transactions, i.e., point-of-sale purchases supported by entry of a valid personal identification number (PIN) or purchases using manual vouchers with telephone verification supported by a client signature and an EBT contractor authorization number (7 CFR sections 274.3(a)(1) and 274.4(a)).

This OMB Special Test and Provision will be tested at by the State Region.

Per ODJFS, there are no rules that require counties to take certain actions on returned cards.

However, the County should have controls in place should they receive returned cards. See the FAQ question following. If auditors note that the County has received returned cards, determine if they have established written procedures.

EBT County JFS FAQ Question #17 (per ODJFS innerweb) addresses the procedure for returned cards. This procedure states: Each county needs to establish written procedures for this issue. This is an individual agency decision as to how they wish to track this, however it is highly recommended that each card be logged as it comes in, the client is contacted, and clients show identification and sign for their card when they pick them up. It also recommended that if a client does not pick up a card within 30 days, it would be appropriate to return that card to ACS for destruction. If the client comes in after 30 days, they can call and get a replacement. Agencies must secure any OHIO DIRECTION cards in their possession, and have written procedures in place to receive, log and track those cards. Under no circumstances should mail or UPS delivery envelopes containing EBT cards be opened by the agency. **(Source: ODJFS)**

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N. Special Tests and Provisions

OMB Compliance Requirements

EBT Card Security

Compliance Requirement - The State is required to maintain adequate security over, and documentation/records for, EBT cards to prevent their: theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use (7 CFR section 274.8(b)(3)).

This OMB Special Test and Provision will be tested at by the State Region.

Per ODJFS, EBT cards are issued and secured by the vendor. The counties would only issue cards in the event of a level III disaster. The card issuance security controls would be kept at the State level. Therefore, there are no County level requirements to be tested.

Quality Control Unit

Compliance Requirement - The State or local government must establish a quality control unit that is independent of program operations (7 CFR section 275.2(b)).

This OMB Special Test and Provision will be tested at by the State Region.

Per ODJFS, there are no County level requirements to be tested.