

Federal Awards Compliance Audit Guidance

NAME OF CLIENT:	
YEAR ENDED:	12/31/2014
FEDERAL AWARD NAME:	Child Support Enforcement (Title IV-D)
CFDA#:	#93.563

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

Note: If the county has Child Support Incentive expenditures in the audit year are 5% or greater than the Child support major program expenditures please reference section G of the guidance.

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 name is **93.563_Child Support Enforcement _2014_audit program_County JFS only_April 2015.docx**

PART I – OMB Compliance Supplement Information

I. Program Objectives

The objectives of the Child Support Enforcement programs are to (1) enforce support obligations owed by non-custodial parents, (2) locate absent parents, (3) establish paternity, and (4) obtain child and spousal support.

II. Program Procedures

Administration and Services

The Child Support Enforcement programs are administered at the Federal level by the Office of Child Support Enforcement (OCSE), Administration for Children and Families (ACF), a component of the Department of Health and Human Services (HHS). Under the State Child Support Enforcement program (State program), funding is provided to the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam, based on a State plan and amendments, as required by changes in statutes, rules, regulations, interpretations, and court decisions, submitted to and approved by OCSE. Under the Tribal Child Support Enforcement program (tribal program), funding is provided to federally recognized tribes and tribal organizations based on applications, plans, and amendments, as required by changes in statutes, rules, regulations, and interpretations, submitted to and approved by the OCSE.

The State program is an open-ended entitlement program that allows the State to be funded at a specified percentage, Federal financial participation (FFP) rate of 66% for eligible program costs. Under the tribal program, tribes receive funding for a specified percentage of program costs (during the first 3-year period, Federal grant funds equal to 90 percent, and for all periods following the initial 3-year period 80 percent).

State child support agencies are required to conduct self-reviews of their programs. (42 USC 654(15) and 45 CFR part 308).

III. Source of Governing Requirements

The Child Support Enforcement programs are authorized under Title IV-D of the Social Security Act, as amended. This includes amendments as the result of the Deficit Reduction Act of 2005 (DRA) (Pub. L. No. 109-171). The State program is codified at 42 USC 651 through 669. Implementing program regulations for the State program are published at 45 CFR parts 301 through 308. In addition, with regard to eligibility and other provisions, these programs are closely related to programs authorized under other titles of the Social Security Act, including the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558), the Medicaid program (CFDA 93.778), and the Foster Care (Title IV-E) program (CFDA 93.658).

The tribal program is authorized under Title IV-D of the Social Security Act, as amended, at 42 USC 655. Implementing program regulations are published at 45 CFR part 309.

The State program also is subject to 45 CFR part 95. The tribal program is subject to the administrative requirements of 45 CFR part 92. Both programs are subject to the cost principles under 2 CFR part 225 - Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87), as provided in *Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government*, HHS Publication ASMB C-10, available at <https://rates.psc.gov/fms/dca/ASMBc-10.pdf>.

States and tribes are required to adopt and adhere to their own statutes and regulations for program implementation, consistent with the requirements of title IV-D and the approved State plan/tribal plan and application.

PART I – OMB Compliance Supplement Information

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)

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

CSEA 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, which includes a description on the various system operations (i.e. CRIS-E, CFIS Web, PET)

Additional ODJFS Program Information can be obtained at <http://jfs.ohio.gov/Ocs/pdf/CHILDSUPPORTFACTSHEET.pdf> and http://jfs.ohio.gov/Ocs/OCSServices_Overview.stm

(1.) Program overview

Child Support Program

The child support program provides services to individuals that include the location of parents, the establishment of paternity and of medical and financial support obligations, the enforcement of those obligations, and the collection and disbursement of support payments.

Two categories of individuals are served under the IV-D program: those who are referred to the child support enforcement agency by a public assistance program from whom they are receiving benefits; and those who complete an application for services. Both of these categories of individuals have a IV-D case, meaning that they are being provided child support program services in accordance with the federal child support program mandated by Title IV-D of the Social Security Act. The CSEA activities on these cases are therefore subject to reimbursement that includes federal financial participation under the IV-D program.

Where an individual does not receive public assistance (and automatically become a IV-D case) or does not complete an application for services (and become a IV-D case by request) they are considered a non-IV-D case. These cases receive the same services as a IV-D case, with the exception of those few services that can only be provided to IV-D cases (e.g., the intercept of federal tax refunds to pay for overdue support). However, because the case is not IV-D, CSEA activities on these cases are not subject to federal financial participation. These cases comprise a very small portion of all child support cases (only about 4% of the total state caseload). Because this portion involves a very small part of the program, it is likely it will not impact testing. It has been included for auditor's information.

To receive federal financial participation the state must maintain a federally approved IV-D state plan. Counties do not adopt a separate plan for their local child support enforcement programs.

The **Bureau of Program Services** develops Title IV-D (child support) program policy in response to changes occurring in federal and state law, federal regulations, court/hearing decisions, and other events impacting on child support operations. This policy is contained in the [Child Support Program Manual](#) (CSPM). The Bureau interprets and disseminates program policies to be followed by the county CSEAs.

County Structure

Each County CSEA can be organized in one of four ways:

- As a division of a combined county agency under the County Department of Job and Family Services (CDJFS) (which administers some or all of the following programs - the Food Assistance (SNAP) Cluster, TANF, Child Care Cluster, Social Services Block Grant, SCHIP, and Medicaid (i.e. all Public Assistance programs));
- As a division of the Office of the County Prosecutor;

CSEA Part II

ODJFS Specific Information

- As an arm of the local Common Pleas Court;
- As a standalone CSEA reporting directly to the county commissioner.

Regardless of the method of organization, each county has a separately designated CSEA with a responsible director or administrator.

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 .

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%
Marrow	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-CSEA CFDA 93.563

CSEA Part II

ODJFS Specific Information

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.

Additional information per ODJFS:

- The state has adopted statutes (in the Ohio Revised Code) and rules (in the Ohio Administrative Code) that implement the federal IV-D program requirements as the federally required state plan (see 45 CFR 302). These state statutes and rules provide guidance to the CSEAs regarding their activities. Local programmatic discretion is generally limited to their decisions the enforcement of support obligations.
- 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. See tools provided at <http://jfs.ohio.gov/ofs/bmcs/index.stm> & <http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm>
- 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.**

CSEA Part II

ODJFS Specific Information

This is a brief description of the Fiscal Process (see also SFAE Testing Spreadsheet):

The County JFS receives different types of Funding:

1. Mandated Share – does not apply to Child Support Enforcement.
2. Federal Allocation – There are two ways federal monies are allocated by the State:
 - 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. There are no local requirements for the calculating or receiving of these allocations. The County receives notification of their grant allocation from ODJFS via the CFIS web system.
 - 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). A n agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web.
 - Specifically for Child Support regarding Federal allocation:
 - Federal grant monies – there is no cap on these monies. CSEAs can receive federal funding as long as they can show the required match. See 45 CFR 304.20 for more information on the availability and rate of Federal financial participation.
 - Federal incentive monies – CSEAs receive a letter in January for the calendar year. These monies are perpetual and have no time limit for expenditure. These incentive dollars are federal and should be reported on the county's federal schedule at 100% when expended. In accordance with section 5101.23 of the Revised Code and 45 C.F.R. 305.35, the CSEA shall spend funds only for allowable Title IV-D expenditures. A request to spend incentives on activities not eligible for funding under the Title IV-D program may be submitted to ODJFS. ODJFS will review the request and may submit the proposal, as appropriate, to HHS for approval. Federal child support incentives cannot be used to earn additional federal funds and cannot be used as the nonfederal share of the IV-D program.

Per FAPMTL 206, dated 7-7-11, this rule (OAC 5101:9-6-30) was modified to reflect a change in funding practices. Effective with the allocations for state fiscal year 2011, ODJFS will retain ten percent of the total amount of the federal share of incentives received for the provision of statewide IV-D services.

3. Income Maintenance (State Allocation 600-652 monies) – does not apply to Child Support Enforcement.
4. State Allocation – State Child Support Allocation
 - The allocation methodology is contained in OAC 5101:9-6-80 was updated, effective July 1, 2014 and communicated in FAPMTL 295. The rule has been clarified to state that the CSEA must expend funds by the end of the funding period and disburse and report expenditures no later than the end of the liquidation period. ODJFS will cap the formula-calculated allocation amounts at a four percent annual increase or decrease See also the matching section concerning the state allocation. The CSEA shall capture administrative costs incurred for the administration of the child support program through the RMS process as described in rule 5101:9-7-23 of the Administrative Code.

CSEA Part II

ODJFS Specific Information

- For most grants, the County JFS can draw down funds on a weekly basis from the ODJFS (see Reporting L section of this document). Public Children Services Agency (PCSA) grants (Foster Care and Adoption Assistance) are reimbursement grants (except ProtectOhio). There may be portions of a program that are on a reimbursement basis (none known for Child Support) however, the remainder of the programs the County JFS agency 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 5101:9-7-02 and 5101:9-7-2.1** for additional information on the 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 266 effective 12/27/12 (see <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL266> and OAC 5101:9-7-02.1).** 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 via CFIS Web. 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 2750 (C/R 520 in CFIS Web) to the County Auditor's & JFS records (see Reporting L section of this document).
- **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_SFY15_CountyLayoff.stm**
- **See also FAPL No. 34, Abnormal or Mass Severance Pay at <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPL34>**

Addition Program Information

For additional program information on Paternity Establishment see http://jfs.ohio.gov/Ocs/PaternityEstablishment_Overview.stm

For additional program information on Establishment of a Support Order see http://jfs.ohio.gov/Ocs/SupportEstablishment_Overview.stm

CSEA Part II

ODJFS Specific Information

For additional program information on Interstate/ Intergovernmental cases see http://jfs.ohio.gov/Ocs/InterstateIntergovernmental_Overview.stm

For additional program information on establishing a Medical Support order see http://jfs.ohio.gov/Ocs/employers/MedicalSupport_Overview.stm

For additional program information on changes to Child Support Orders see http://jfs.ohio.gov/Ocs/ReviewandAdjustment_Overview.stm

For additional program information on enforcement of a support order, such as income withholding, tax offset see [Income Withholding](#) , [Direct Interstate Income Withholding](#) and <http://jfs.ohio.gov/Ocs/pdf/InjSpsFAQs.pdf> and for collection and disbursement see [Child Support Payment Central](#)

For additional program information on termination of support see [Termination of Support](#) and for information on termination of services see [Termination of Services](#) .

Related Services that a CSEA Does Not Provide

Visitation/Custody issues - This is an area that is determined by the court.

Divorce - Any divorce actions, including property settlements, must be filed in court.

Alimony (spousal support) Establishment - The CSEA is not authorized to establish a spousal support order.

Pregnant Women - Services cannot be provided for an unborn child.

(2.) Program Funding

See ODJFS Programs SFAE Testing Spreadsheet for Program Funding.

CSEA Part II

ODJFS Specific Information

(3.) AOS Testing Considerations

Unlike other ODJFS programs, Child Support has a separate Child Support Random Moment Sampling cost pool and Form JFS 02750 financial reporting requirements. The following table shows the different ODJFS program, cost pools and financial reporting forms:

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.

ODJFS stressed that the Child Support Enforcement recipient's information is confidential and auditors should follow established procedures to protect this information.

Auditors may see activity for Access & Visitation and Healthy Marriages grants. These monies are a separate funding stream and are not part of the CSEA IV-D funding. These are for services outside IV-D. These grants should be reported on the County's schedule of federal awards expenditures under their applicable CFDA #'s. Per ODJFS, currently there are 7 counties receiving Access & Visitation monies. The Healthy Marriage grant is a 5 year demonstration grant that currently only Clark County is receiving. Auditors should be aware of these monies / activities for proper reporting on the schedule of federal awards and for eliminating these expenditures from the population for testing this program. Auditors should review the documentation at their county to determine if they also received / expended this funding during the calendar year.

CSEA Part II

ODJFS Specific Information

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

The County federal schedule will report 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 reports. The spreadsheet provides program specific information for testing the SFAE.

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.

Expenditures are reimbursed to County JFS based on State and Federal allocation percentages. For example, if the Federal share is 66% then the County JFS would be reimbursed 66% from Federal share and 34% from State share or local match (this does not apply to Child Support Incentives). This allocation is programmed into CFIS so auditors are not required to test the allocation; however, rather should be aware of this when testing the schedule of federal awards expenditures.

The local government should report federal expenditures for CFDA #93.563. 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).

Child Support Enforcement	CFDA #	Pass through number	Expenditures
Child Support Enforcement	93.563	G-1011-11-5006 / G-1011-11-5007	\$XXX,XXX

Although we suggest most local governments continue to create special cost centers to separately summarize amounts for each fiscal year, the CFIS program should provide this information in sufficient detail for federal schedule testing/reporting. The Schedule should also report the following for this program:

- CFDA number: 93.563
- Grant Title: Child Support Enforcement
- Disbursements for each pass-through number (i.e., cost center).

For more information see the 'County JFS Program SFAE Testing Spreadsheet' mentioned above.

CSEA Part II

ODJFS Specific Information

(5.) Information Systems, which includes a description on the various system operations (i.e. CRIS-E, CFIS Web, PET)

Computer Systems

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

- CRIS-E (Ohio's eligibility information system) – Child Support does not utilize CRIS-E but uses SETS (we do not test SETS at the local level).
- CFIS – (County Finance Information System) January 1, 2008 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. Most information flows from the county system through CFIS and up to OAKS with the exception of draw information. 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 engagement, 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 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 wthis 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 updated 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

CSEA Part II

ODJFS Specific Information

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.

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 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.

OMB Specific Information

1. Activities Allowed

Consistent with the approved Title IV-D plan, allowable activities include the following. A more complete listing of allowable types of activities, with examples, as appropriate, is included at 45 CFR sections 304.20 through 304.22 for the State program and 45 CFR sections 309.145(a) through (o) for the tribal program.

a. State and tribal programs

1. Parent locator services for eligible individuals (45 CFR sections 304.20(a)(2), 304.20(b), and 302.35(c); 45 CFR section 309.145).
2. Paternity and support services for eligible individuals (45 CFR section 304.20(a)(3); 45 CFR sections 309.145(b) and (c)).
3. Program administration, including establishment and administration of the State plan/tribal plan, purchase of equipment, and development of a cost allocation system and other systems necessary for fiscal and program accountability (45 CFR sections 304.20(b)(1) and 304.24; 45 CFR sections 309.145(a)(1) and (a)(2), 309.145(h), 309.145(i), and 309.145(o)).
4. Establishment of agreements with other State, tribal, and local agencies and private providers, including the costs of agreements with appropriate courts and law enforcement officials in accordance with the requirements of 45 CFR section 302.34, and associated administration and short-term training of staff (see III.A.2.b, Activities Unallowed – *State programs*, for costs of agreements that are unallowable under State programs) (45 CFR section 304.21(a)(State programs); 45 CFR sections 309.145(a)(3)(iii) and 309.145(m) (tribal programs)).

b. State programs

PART III

A. Activities Allowed or Unallowed

OMB Compliance Requirements

Necessary expenditures for support enforcement services and activities provided to individuals from whom an assignment of support rights (as defined in 45 CFR section 301.1) is obtained (45 CFR sections 304.20, 304.21, and 304.22).

c. *Tribal programs*

1. The portion of salaries and expenses of a tribe's chief executive and staff that is directly attributable to managing and operating a Tribal Title IV-D program (45 CFR section 309.145(j)).
2. The portion of salaries and expenses of tribunals and staff that is directly related to required tribal Title IV-D program activities (45 CFR section 309.145(k)).
3. Service of process (45 CFR section 309.145(l)).
4. Costs associated with obtaining technical assistance from non-Federal third-party sources, including other tribes, tribal organizations, State agencies, and private organizations, that are directly related to operating a Title IV-D program, and costs associated with providing such technical assistance to public entities (45 CFR section 309.145(n)).

2. **Activities Unallowed**

a. *State and tribal programs*

The following costs and activities are unallowable pursuant to 45 CFR sections 304.23 and 309.155:

1. Activities related to administering other titles of the Social Security Act.
2. Construction and major renovations.
3. Any expenditures that have been reimbursed by fees or costs collected.
4. Any expenditures for jailing of parents in child support enforcement cases.
5. Costs of counsel for indigent defendants in Title IV-D actions.
6. Costs of guardians *ad litem* in Title IV-D actions.

b. *State programs*

The following costs and activities are unallowable pursuant to 45 CFR section 304.23:

1. Education and training programs other than those for Title IV-D agency staff or as described in 45 CFR section 304.20(b)(2)(viii).
2. Any expenditures related to carrying out an agreement under 45 CFR section 303.15.
3. Any costs of caseworkers (45 CFR section 303.20(e)).
4. Medical support enforcement activities (45 CFR sections 303.30 and 303.31).
5. The following costs associated with agreements with courts and law enforcement officials are unallowable: service of process and court filing fees unless the court or law enforcement agency would normally be required to pay the costs of such fees; costs of compensation (salary and fringe benefits) of judges; costs of training and travel related to the judicial determination process incurred by judges; office-related costs, such as space, equipment, furnishings and supplies incurred by judges; compensation (salary and fringe benefits), travel and training, and office-related costs incurred by administrative and support staffs of judges; and costs of agreements that do not meet the requirements of 45 CFR section 303.107 (45 CFR section 304.21(b)).

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 ODJFS 2750 (CFIS Web CR 520) 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 Welfare (CWRMS), Juvenile Ct	75 or more Participating Positions	Minimum of 2,400
Child Support (CSRMS)	More than 10 Participating Positions	Minimum of 354
Child Support (CSRMS)	1-10 Participating Positions	Minimum of 33 per worker

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

OAC 5101:12-1-60 Expenditures Eligible for Federal Financial Participation Reimbursement - Effective Date: August 1, 2014. Most current prior effective date: February 15, 2009.

(A) This rule describes the support enforcement program services and IV-D services for which a child support enforcement agency (CSEA) may request federal financial participation (FFP) reimbursement.

FFP reimbursement is available for reasonable and necessary CSEA expenditures for services and activities provided in a IV-D case and properly attributable to the operation of the support enforcement program. FFP reimbursement principles are based upon the general principles for determining allowable costs described in 2 C.F.R., subtitle A, chapter II, part 225 (8/31/2005) (circular A-87 of the federal office of management and budget). The current FFP reimbursement rate is sixty-six per cent.

(B) The following definition applies to this rule and its supplemental rule:

"Arrest" means taking an individual into physical custody pursuant to a court-issued process and transporting that person to the court that ordered his or her arrest. It does not include incarceration, arraignment, and other activities that may occur as the result of an arrest.

(C) CSEA expenditures for the following services are eligible for FFP reimbursement when provided in a IV-D case:

(1) Support enforcement program services, which include:

- (a) Location services;
- (b) Establishment of parentage;
- (c) Establishment and modification of child support orders and medical support orders;
- (d) Enforcement of support orders;
- (e) Collection of support obligations; and
- (f) Any other actions appropriate to child support enforcement, which include but are not limited to:
 - (i) Monitoring the progress of program development and operations and evaluating the quality, efficiency, effectiveness, and scope of support enforcement program services available in the county;
 - (ii) The establishment of all necessary IV-D contracts with a private or governmental entity for the provision of IV-D services where the IV-D contract is established in accordance with rules 5101:12-1-80 to 5101:12-1-80.4 of the Administrative Code;
 - (iii) The direct cost of reasonable and essential short-term training provided to CSEA staff;
 - (iv) The development and maintenance of fiscal and program records and reports required to be made to the Ohio department of job and family services;
 - (v) Expenditures for general administrative costs (e.g., salaries, supplies, and equipment); and
 - (vi) The establishment and maintenance of case records.

(2) IV-D services, which include:

- (a) Federal income tax refund offset submittals for the collection of support arrears;
- (b) Withholding of unemployment compensation for the payment of support;
- (c) Requests to the internal revenue service for the disclosure of taxpayer information for use in establishing and collecting support obligations;
- (d) Requests to the internal revenue service for the collection of delinquent support; and

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

- (e) Requests to use the U.S. district courts when another state has failed to enforce an Ohio court support order.
- (3) The purchase of support enforcement program services and IV-D services when the services are purchased under a IV-D contract or cooperative agreement in accordance with rules 5101:12-1-80 to 5101:12-1-80.4 of the Administrative Code, including but not limited to:
 - (a) Reasonable and essential short-term training of court and law enforcement staff assigned on a full- or part-time basis to support enforcement functions;
 - (b) Service of process and court filing fees when the court or law enforcement agency would normally be required to pay the cost of such fees;
 - (c) Costs incurred while making an arrest that is necessary to enforce a support obligation; and
 - (d) Service of process fees, when the CSEA obtains written verification from the sheriff that the sheriff charges other agencies service of process fees; and
 - (e) Sheriff's office personnel and equipment costs, when the costs are necessary to complete service of process activities.
- (D) The CSEA shall comply with the rules set forth in division 5101:9 of the Administrative Code.

5101:12-1-60.1 Expenditures Ineligible for Federal Financial Participation Reimbursement. Effective Date: August 1, 2014. Most current prior effective date: February 15, 2009.

- (A) This rule describes expenditures for which a child support enforcement agency (CSEA) shall not request federal financial participation (FFP) reimbursement.
- (B) CSEA expenditures for which FFP reimbursement is not available include but are not limited to:
 - (1) Support enforcement program services provided in a non-IV-D case.
 - (2) Charges assessed to the CSEA by a court or clerk of court that are not uniformly assessed to another agency or official that uses the services of the court or clerk of court.
 - (3) Purchased IV-D services that are not purchased in accordance with or do not meet the requirements of rules 5101:12-1-80 to 5101:12-1-80.4 of the Administrative Code.
 - (4) The following charges assessed to the CSEA under a IV-D contract:
 - (a) Service of process and court filing fees unless the court or law enforcement agency would normally be required to pay the cost of such fees;
 - (b) Costs of compensation (salary and fringe benefits) of judges;
 - (c) Costs of travel and training related to the judicial determination process incurred by judges;
 - (d) Office related costs, such as space, equipment, furnishings and supplies, incurred by judges;
 - (e) Compensation (salary and fringe benefits), travel and training, and office related costs incurred by administrative and support staffs of judges.;
 - (f) Service of process fees unless the CSEA obtains written verification from the sheriff that the sheriff charges other agencies service of process fees;
 - (g) Sheriff's office personnel and equipment costs unless the costs are necessary to complete service of process activities;

PART III

A. Activities Allowed or Unallowed ODJFS Compliance Requirements

- (h) Costs that do not meet the definition of "allowable cost," as defined in rule 5101:12-1-80 of the Administrative Code;
- (i) Costs that do not meet the definition of "reasonable cost," as defined in rule 5101:12-1-80 of the Administrative Code; and
- (j) Hearings, portions of hearings, or other activities related to:
 - (i) Visitation, custody, or change of custody;
 - (ii) Establishment of spousal support orders;
 - (iii) Enforcement of spousal support orders if no child support order exists for the same parties;
 - (iv) Property settlements; and
 - (v) Civil protection orders or domestic violence cases.
- (5) Education and training programs and educational services, except short-term training of CSEA staff.
- (6) Activities related to administering the following public programs:
 - (a) Ohio works first (OWF);
 - (b) Medicaid and state children's health insurance program;
 - (c) Social services that are provided pursuant to section 5101.46 of the Revised Code; and
 - (d) Old-age assistance, aid to the blind, and aid to the permanently and totally disabled.
- (7) Construction and major renovations.
- (8) Charges that have been reimbursed by recovered fees.
- (9) Functions performed by a caseworker who is also determining eligibility for OWF or performing social services functions pursuant to section 5101.46 of the Revised Code, unless alternative arrangements as described in 45 C.F.R. 303.20(e) (12/29/2010) have been approved by the office of child support (OCS) in the Ohio department of job and family services (ODJFS).
- (10) Medical support enforcement activities to pursue payments from a third party health insurer.
- (11) Costs for the use of the federal parent locator service in parental kidnapping, child custody, or visitation cases.
- (12) Costs for the incarceration of parents.
- (13) Costs of counsel for indigent defendants.
- (14) Costs of guardians ad litem.
- (15) Services the CSEA is not authorized to perform under the rules set forth in division 5101:12 of the Administrative Code

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

AOS Additional Testing Considerations

Sections A & B are most often tested using them 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

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.

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

2 CFR Part 225 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.

Indirect Costs Include:

- Costs originating at the **State or Local-Wide** level, such as: Personnel, Budgeting, Data Center, Accounting, Treasurer, Auditor (e.g., audit costs, county auditor preparation of SEFA)
- Costs originating at the **Departmental** level, such as: Director/Asst. Director's Compensation, Secretaries, Space, Supplies (e.g., Dir.'s compensation for the Community & Economic Dev. Dept.)
- Costs originating at the **Divisional** level, such as: Director/Asst. Director's Compensation, Secretaries, Space, Supplies (e.g., Asst. Dir.'s compensation for the Economic Dev. Division)

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.

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.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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)*
 - 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.)

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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 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.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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).

PART III

B. Allowable Costs/Cost Principles

ODJFS Compliance Requirements

Sections A & B are most often test together using the same sample. Therefore, additional program specific requirements / testing procedures have been incorporated into 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 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

PART III

B. Allowable Costs/Cost Principles

ODJFS Compliance Requirements

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.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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
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

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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
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:

- **We do not know of any instances of advances for this program, however, if auditors come across instances of advances, the guidance included should be followed.**
- **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/>) on the Internet.

PART III

C. Cash Management

ODJFS Compliance Requirements

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 are contained in **45 CFR 92.20**, 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.

See also Section L (Reporting). Funding is based on expenditures but is not on a reimbursement basis.

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 \$5,000 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 \$5,000, 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.

45 CFR 92.32 (below) provides the federal requirements for the use, management and disposition of equipment acquired in whole or in part with Federal monies.

Source of Governing Requirements-Equipment

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

Real Property Management – n/a (see below)

OMB Specific Information

Under State programs, equipment that is capitalized or depreciated or is claimed in the period acquired and charged to more than one program is subject to 45 CFR section 95.707(b) in lieu of the requirements of the A-102 Common Rule (45 CFR section 95.707(b)).

PART III

F. Equipment and Real Property Management

ODJFS Compliance Requirements

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 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.

PART III

F. Equipment and Real Property Management

ODJFS Compliance Requirements

- (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.

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.

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).

PART III

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

Compliance Requirements

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 for HHS) provides 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* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.
3. *Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

Source of Governing Requirements

The requirements for matching are contained in the A-102 Common Rule (§ _____.24) (codified in 45 CFR 92 for HHS), 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

1. *State programs*

The Federal share of program costs related to determining paternity, including those related to the planning, design, development, installation and enhancement of the statewide computerized support enforcement system is 66 percent..

2. *Level of Effort* - Not Applicable at Federal Level (See note in the ODJFS section).

3. *Earmarking* - Not Applicable at Federal Level.

PART III

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

45 CFR 304.20 Availability and rate of Federal financial participation – this section provides detail on what the federal matching rate is available for, such as necessary expenditures for support enforcement services and activities specified in this section and 304.21 and IV-D eligible services, etc. Auditors should review this section for additional information.

45 CFR 304.21 Federal financial participation in the costs of cooperative arrangements with courts and law enforcement officials – this section provides detail on what the federal matching rate is available for in the costs of cooperative arrangements with appropriate courts and law enforcement officials in accordance with the requirements of 302.34 of chapter 45 when performed under written agreement. This section defines law enforcement officials to mean district attorneys, attorney generals, and similar public attorneys and prosecutors and their staff. Auditors should review this section for additional information

PART III

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

As noted above and in the Introduction Part II, for Child Support, the Federal share is 66% so the County JFS would be reimbursed 66% from Federal share and 34% from State allocations or they could use county funding for the 34% local match. This allocation is programmed into CFIS so auditors are not required to test the allocation. Federal monies are unlimited as long as the County has the available match. Once the state allocation is exhausted, counties can use local monies to meet the matching requirement.

After discussions with ODJFS it was determined that Child Support Incentives would be recorded on the SEFA at 100% at the time of expenditure. Child Support incentives cannot be used to meet match requirements for IV-D.

Per Ohio Administrative Code 5101:12-1-54 (F)(3), in accordance with 45 C.F.R. 305.35(c) and 45 C.F.R. 305.35(d), as in effect on October 1, 2009, a CSEA may not reduce its IV-D expenditures as a result of receipt and reinvestment of incentive payments. An evaluation of IV-D expenditures reported on the JFS 02750, "Child Support Administrative Fund Monthly Financial Statement" (rev. 10/2005), will be developed to establish a base period using an average of the three previous federal fiscal years. This average will be the IV-D expenditures level that must be maintained in future years. Incentive payments must be used in addition to, and not in lieu of, the base amount.

NOTE: If the county has Child Support Incentive expenditures in the audit year are 5% or greater than the Child support major program expenditures please contact Tim Downing in the Center for audit excellence at tpdowning@ohioauditor.gov for additional testing considerations.

State allocation monies can be used for matching requirements. See OAC 5101:9-6-80 State Child Support Allocations rule and other OAC sections noted in the Introduction, Part II, Program Overview section of this FACCR.

PART III

H. Period of Availability of Federal Funds

OMB 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 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

OMB Compliance Requirements

OMB Specific Information

State programs - This program operates on a cash accounting basis and each year's funding and accounting is discrete; i.e., there is no carry-forward of unobligated funds. To be eligible for Federal funding, claims must be submitted to ACF within 2 years after the calendar quarter in which the State made the expenditure. This limitation does not apply to any claim for an adjustment to prior year costs or resulting from a court-ordered retroactive adjustment (45 CFR sections 95.7, 95.13, and 95.19).

Tribal programs – A tribe or tribal organization must obligate its Federal Title IV-D grant funds no later than the last day of the funding period (equivalent to the Federal fiscal year) for which they were awarded (“obligation period”) or the funds must be returned to ACF. Unless an extension is granted by ACF, valid obligations must be liquidated no later than the last day of the 12-month period immediately following the obligation period or the funds must be returned to ACF (45 CFR sections 309.135(b), (c), and (e)).

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

L. Reporting

OMB Compliance Requirements

The following OMB Compliance Requirements on this page are for State Level testing only. However, in order for ODJFS to comply with the following, there are requirements Counties do need to follow in the next section – ODJFS Compliance Requirements.

OMB Specific Information

Financial Reporting

1. SF-270, *Request for Advance or Reimbursement* - Applicable for tribal programs; Not Applicable for State programs.
2. SF-425, *Federal Financial Report* - Applicable for tribal programs; Not Applicable for State programs.
3. OCSE 34A, *Child Support Enforcement Program Quarterly Report of Collections* (State programs - OMB No. 0970-0181; tribal programs - OMB No. 0970-0218).

PART III

L. Reporting

ODJFS Compliance Requirements

Per ODJFS:

OAC 5101:9-6-83 Child Support Enforcement Agency (CSEA) Administrative Fund. Effective Date: August 29, 2011

- (A) Each child support enforcement agency (CSEA) shall create an administrative fund for the operation of a child support enforcement program.
- (B) The administrative fund shall be used for the deposit and disbursement of child support funds as follows:
- (1) Deposits include, but are not limited to:
 - (a) Federal, state, and local revenues including state and county general revenue funds and federal financial participation (FFP) funds;
 - (b) Federal incentives;
 - (c) Processing charges;
 - (d) Title IV-D application and other miscellaneous fees;
 - (e) Investment income;
 - (f) Unclaimed collections that have lost unclaimed status; and
 - (g) Fines that the CSEA has retained.
 - (2) Disbursements include, but are not limited to:
 - (a) Allocated shared costs for combined agencies to public assistance (PA) fund;
 - (b) Countywide central service costs assigned to the CSEA;
 - (c) Title IV-D and non-Title IV-D operating expenditures; and
 - (d) Administrative expenses related to the operation of the child support program.
- (C) The CSEA shall report receipts and disbursements for the child support administrative fund in accordance with rule [5101:9-7-29](#) of the Administrative code (click on code # for link)

Please keep in mind, county agencies are still required to submit monthly financial data as an upload into CFIS no later than the eighteen day of the month following the month of the transactions.

In order for ODJFS to prepare the financial reports required, they must obtain financial information from the counties. Each standalone CSEA is required to certify and submit to ODJFS a 02750 Financial Statement and each combined CDJFS a 02827. The 2750/2827 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. See OAC 5101:9-7-02, 5101:9-7-02.1 & 5101:9-7-29. Tests related to reporting at the county level will be limited to the 02750/02827 forms and include the following:

1. The CSEA 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 02750/02827 (CR 520) should be reported on a cash basis.

PART III

L. Reporting

ODJFS Compliance Requirements

ODJFS 02750 and 02827 form and instructions can be found at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/tools1.stm>

The 02750/02827 form should be reported on a cash basis.

Counties should be reviewing the grant reconciliation report and responding with ODJFS as required.
Please note: Counties often refer to the grant reconciliation reports as the Over / Under Reports.

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)), A-102 Common Rule (§ ____.37 and § ____.40(a)) (codified in 45 CFR 92 for HHS), program legislation, 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

Per ODJFS, County CSEAs can contract out testing, location, court services, etc. They can also contract out eligibility or the entire program (although no counties are currently doing this). Most contracts should be vendor relationships. Auditors should review contracts entered into by the County JFS for services to determine if a vendor or subrecipient relationship exists.

ODJFS has provided the following mandated process for subrecipient monitoring.

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