

Federal Awards Compliance Audit Guidance

NAME OF CLIENT:	
YEAR ENDED:	2014
FEDERAL AWARD NAME:	Adoption Assistance (Title IV-E)
CFDA#:	#93.659

This Guidance File has been broken into following sections:

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

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

A separate file has been created to document control procedures that address applicable compliance requirements, suggested audit procedures and the results of testing. The audit program file is named, "93_659_Adoption Assistance_2014_audit program_county JFS only_April 2015.docx"

Introduction- Materiality by Compliance Requirement

Planning Federal Materiality by Compliance Requirement- 1, 2									
Compliance Requirement		Applicable per Compliance Supplement (Yes or No)							
A.	Activities Allowed or Unallowed	Yes							
B.	Allowable Costs/Cost Principles	Yes							
C.	Cash Management	Yes							
D.	Davis-Bacon Act	No (OMB compliance supplement indicates this is n/a)							
E.	Eligibility	No (OMB Eligibility requirements will be tested at the State level. Per ODJFS, there are no eligibility requirements at the local level.)							
F.	Equipment & Real Property Mgmt	Yes							
G.	Matching, Level of Effort, Earmark	Yes							
H.	Period of Availability	Yes							
I.	Procurement & Sus. & Debarment	No (OMB compliance supplement indicates this is n/a, see matrix on testing sheet concerning this compliance requirement)							
J.	Program Income	No (OMB compliance supplement indicates this is n/a)							
K.	Real Property Acq. & Rel. Asst.	No (OMB compliance supplement indicates this is n/a)							
L.	Reporting	Yes							
M.	Subrecipient Monitoring	Yes							
N.	Special Tests & Provisions	No (OMB compliance supplement indicates this is n/a)							
1 The auditor should always:									
<ul style="list-style-type: none"> • Ask the auditee if there have been any changes in program requirements. • Review the contracts/grant agreements for such changes or other modifications. 									
* AOS Auditors should update requirements, procedures, etc based on specific program/grant information. If changes are noted, document them in the W/P's and consult withCFAE for an appropriate FACCR modification.									
2 Auditors should review the determination of the requirements above for applicability. Certain requirements may not be applicable because either they do not apply to the program or because the auditee has no evidence of transactions or events subject to those particular requirements. Auditors can check the Matrix of Compliance Requirements, Part 2, viewable at http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013 to determine the applicability of programs OMB lists in its Compliance Supplement. Otherwise, review grant documents to help determine a requirement's applicability.									

PART I – OMB Compliance Supplement Information

I. Program Objectives

The objective of the Adoption Assistance program is to facilitate the placement of children with special needs in permanent adoptive homes and thus prevent long, inappropriate stays in foster care.

II. Program Procedures

Administration and Services

The Adoption Assistance program is administered at the Federal level by the Children's Bureau, Administration on Children, Youth and Families, Administration for Children and Families (ACF), a component of the Department of Health and Human Services (HHS). The Adoption Assistance program provides Federal matching funds to Title IV-E agencies with approved Title IV-E plans that provide ongoing subsidy and/or non-recurring payments to parents who adopt eligible children with special needs and enter into an adoption assistance agreement. Depending on the circumstances, the child may also need to meet the eligibility requirements of the Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act [PRWORA]) or the Supplemental Security Income (SSI) program. In cases where program eligibility requires an assessment of SSI program eligibility, the child will need to meet either all criteria or for an applicable child [defined in III.E.1,a.(1)(a), Eligibility for Individuals, of this program supplement] only the medical and disability criteria. Tribes must use the Title IV-A State plan (as in effect as of July 16, 1996) of the State in which the child resided at the time of removal in determining the child's AFDC eligibility (42 USC 679c(c)(1)(C)(ii)(II)).

An adoption assistance agreement is a written agreement between the adoptive parents, the Title IV-E agency, and other relevant agencies (such as a private adoption agency) specifying the nature and amount of assistance to be given on a monthly basis to parents who adopt eligible special needs children. A child with special needs is defined as a child who the Title IV-E agency has determined cannot or should not be returned home; has a specific factor or condition, as defined by the State or tribe, because of which it is reasonable to conclude that the child cannot be adopted without financial or medical assistance; and for whom a reasonable effort has been made to place the child without providing financial or medical assistance (42 USC 673(a) (2)).

Funding is provided to the 50 States, the District of Columbia and Puerto Rico. Federally recognized Indian tribes, Indian tribal organizations and tribal consortia may also apply for Title IV-E funding via the submission of a Title IV-E plan. Funding is based on an approved Title IV-E plan and amendments, as required by changes in statutes, rules, and regulations, submitted to and approved by the ACF Children's Bureau Associate Commissioner. The Adoption Assistance program is an open-ended entitlement program. Federal financial participation in State or tribal expenditures for adoption assistance agreements is provided at the Medicaid match rate for medical assistance payments, which varies among States and tribes. Monthly payments to families made on behalf of eligible adopted children also vary from Title IV-E agency to Title IV-E agency. Federal financial participation (FFP) is made at an open-ended 50 percent match rate for administrative expenditures and at an open-ended 75 percent for most categories of State/tribal Title IV-E training expenditures. In addition, the program authorizes Federal matching funds for Title IV-E agencies that reimburse the non-recurring adoption expenses of adoptive parents of special needs children (regardless of AFDC or SSI eligibility) as administrative expenditures at an open-ended 50 percent FFP rate.

The designated Title IV-E agency for this program also administers ACF funding provided for other Social Security Act programs (e.g., Foster Care (CFDA 93.658), Guardianship Assistance (CFDA 93.090) at agency option and Independent Living Services (CFDA 93.674) programs (Title IV-E of the Social Security Act); Child Welfare Services (CFDA 93.645) and Promoting Safe and Stable Families (CFDA 93.556) programs (Title IV-B of the Social Security Act, as amended) (CFDA 93.556 funds available to States and those tribes qualifying for at least a minimum grant of \$10,000); and the Social Services Block Grant program (CFDA 93.667) (Title XX of the Social Security Act, as amended) (States only. The Title IV-E agency may either directly administer the Adoption Assistance program or supervise its administration by local level agencies. Where the program is administered by a State, in accordance with the approved Title IV-E plan, it must be in effect in all political subdivisions of the State, and, if administered by them, program requirements must be mandatory upon them. Where the program is administered by a tribe, it must be in effect in all political subdivisions within the tribal service area(s) and for all

PART I – OMB Compliance Supplement Information

populations to be served under the plan. If the program is administered by a political subdivision of a tribe, program requirements must be mandatory upon them. (42 USC 671(a)(1-4) and 42 USC 679B(c)(1)(B))

III. Source of Governing Requirements

The Adoption Assistance program is authorized by Title IV-E of the Social Security Act, as amended (42 USC 670 *et seq.*). This includes those amendments made by the Fostering Connections to Success and Increasing Adoptions Act of 2008 (Pub. L. No. 110-351). Implementing regulations are published at 45 CFR parts 1355 and 1356.

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-E and the approved Title IV-E Plan.

Availability of Other Program Information

The Children's Bureau manages a policy issuance system that provides further clarification of the law and guides States and tribes in implementing the Adoption Assistance program. This information may be accessed at http://www.acf.hhs.gov/programs/cb/laws_policies/index.htm.

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)**

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

Adoption Assistance Program Part II

ODJFS Specific Information

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

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

(1.) Program overview

This program is a reimbursement program. Eligibility and provider benefits paid will be tested at the State level as well as determining if the counties are negotiating with the families. This is due to the fact the State pays these benefits to the recipients. Therefore, County JFS testing will be the performed for the County JFS direct and indirect expenses.

Auditors should also note that Title IV-EAA and State Adoption Subsidy monies have separate eligibility and are not tested at the County JFS level.

The State develops a State Adoption Assistance Plan the counties follow.

County Structure

Each County is segregated into the following three areas:

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

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

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 also [FATL 341](#), dated 9-27-13 and OAC 5101:4-1-16.

Adoption Assistance Program Part II

ODJFS Specific Information

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-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.

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 .

Additional information per ODJFS:

- Counties cannot adopt policies to broaden or restrict the program.
- ODJFS Bureau of Monitoring and Consulting Services (BMCS) performs 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

Adoption Assistance Program Part II

ODJFS Specific Information

(procurement, subgrant agreements, subrecipient monitoring) available to help the counties with program compliance.

- ODJFS in preparation for the transition of the Counties becoming subrecipients in 2009, provided to each county a “Guided Self-Assessment for County Family Services Agencies” (GSA). This was a comprehensive guide that incorporated the OMB compliance requirements, CFR and OAC requirements, identified processes and controls ODJFS determined should be in place to meet specific federal requirements and corresponding risk assumed by the agency. Each County should have had completed GSA, however these were never required. ODJFS no longer provides the templates and there is no requirement that counties must have the GSA or continue to update the guides. Counties can have other county prepared policies in place outside of the GSA, which would be just as acceptable as long as it covered the key areas the GSA addressed.

This is a brief description of the Fiscal Process:

- The County JFS receives different types of Funding (see SFAE Testing spreadsheet for further detail)):
 1. Mandated Share - does not apply to Adoption Assistance.
 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.
 - Adoption Assistance receives a Title VI-E allocation for Title VI-E services.
 - ODJFS issues initial pass-through allocations based on the greater of:
 - a. The average expenditures of the last two years reported expenditures: or
 - b. The total of the last four completed quarters’ reported expenditures.
 - An agency with no reported expenditures over either time period will receive a minimum budget (5101:9-6-44). An agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web. The CDJFS receives funding for the following pass throughs: food assistance (FA), food and nutrition services (FNS), Medicaid and SHIP.
 3. State allocation for Title IV-E funding is the State Child Protection Allocation - SCPA (OAC 5101:9-6-19). These monies can be used by the County JFS to meet their matching requirements for Foster Care and Adoption. Effective for SFY12, the SCPA amount also includes funding formerly known as the Fiesel allocation. In addition, the counties receive other state allocations which are noted in the SFAE Testing Spreadsheet (separately posted).
 4. Income maintenance - does not apply to IV-E funding (Adoption Assistance./ Foster Care)
- In addition to their County JFS allocations, there are two opportunities for County JFS to release or receive monies: 1) They can swap funds with other counties, (this process must be approved by evidence of County Commissioners sign off) which goes through ODJFS to change the allocations in CFIS; or 2) In December or January they can apply for additional funds or to free up monies allocated to other grants. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties; however, the statewide allocation does not change. ODJFS changes the allocation in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be the reason any such re-allocations in the system. Note: The Ohio Department of Job and Family Services developed a process to allow for specific allocated funds to be exchanged between counties. The process is detailed in rule 5101:9-6-82 of the Administrative Code.

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ODJFS Specific Information

See the ICAA section of the BCFTA Tools website for details of the process at <http://jfs.ohio.gov/ofs/bcfta/Allocations.stm>.

- ODJFS also utilizes adoption assistance funding to reimburse the public children services agency (PCSA) up to one thousand dollars per placement for nonrecurring adoption expenses for a child with special needs in accordance with rule 5101:2-49-21 of the Administrative Code. The catalog of federal domestic assistance (CFDA) number for the federal portion is 93.659. ODJFS contributes the non-federal share of county-reported expenses and reimburses the PCSA at one hundred per cent. The PCSA shall report allowable expenditures on JFS 02820 "Children Services Quarterly Financial Statement," as described in rule 5101:9-7-29 of the Administrative Code.
- 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 for ProtectOhio Foster Care maintenance which is an advance. For other grants there may be portions of a program that are on a reimbursement basis however, the remainder of the programs the County JFS an 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 5101:9-7-01 and 5101:9-7-01.1** 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. Counties are still required to submit monthly financial data as an upload in CFIS no later than the eighteenth day of the month following the month of the transaction (see OAC 5101:9-7-29)**
- 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 2820 (C/R 520 in CFIS Web) to the County Auditor's & JFS records (see Reporting L section of this document).
- Adoption Assistance is a reimbursement grant. Once the County's allocation is exhausted, they must use local monies to administer the program.
- Adoption Assistance is used for Title IV-E eligible children. Counties negotiate a monthly rate with the adoptive parents. The Federal share is 63.58% and then amounts up to \$250 are paid by the State through the GRF (See FCASPL No 195 dated 6-18-10). The county picks up remaining amount with local dollars. So we might see some payments for the excess amounts to adoptive parents running through the county's books. These payments made by the county would become part of our population for testing.
- **Per FAPMTL No. 225 (dated 12-1-11)**, effective for SFY12, as outlined in Section 309.50.20 of Amended Substitute House Bill 153 of the 129th General Assembly, a PCSA may elect to transfer all or a portion of its SCPA allocation to the county's Families and Children First Council.
<http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL225>
- **See BCFTA Update 2013-21 regarding costs associated with county lay-off of staff at**
<http://jfs.ohio.gov/ofs/bcfta/BB/20130514-BCFTA-Update-2013-21-County-Lay-off-SFY14.stm>
- **See BCFTA Update 2014-14 regarding costs associated with county lay-off of staff at**
http://jfs.ohio.gov/ofs/bcfta/BB/BCFTAUpdate_2014-14_SF15_CountyLayoff.stm
- **See also FAPL No. 34, Abnormal or Mass Severance Pay at**
<http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPL34>

Adoption Assistance Program Part II

ODJFS Specific Information

(2.) Program Funding

See ODJFS Programs SFAE Testing Spreadsheet for Program Funding.

(3.) AOS Testing Considerations

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

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

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

Adoption Assistance Program Part II

ODJFS Specific Information

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

Adoption Assistance benefits are paid by the State ODJFS; therefore, eligibility and recipient benefit payments will be audited by the State Region.

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 report. 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.

Auditors should note that Title IV-EAA and State Adoption Subsidy monies have separate eligibility and are not tested at the County JFS level.

The local government should report federal expenditures for CFDA #93.659. 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).

Grant Title	CFDA number	Pass through number	Expenditures
Adoption Assistance	#93.659	G-1011-11-5006 / G-1011-11-5007	\$XXX,XXX

Adoption Assistance Program Part II

ODJFS Specific Information

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

Computer Systems

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

- SACWIS - SACWIS is the statewide computer application use in support of day-to-day child welfare job tasks. The acronym "SACWIS" stands for Statewide Automated Child Welfare Information System. More information on the SACWIS system is available at <http://jfs.ohio.gov/sacwis/>.

SACWIS is a statewide comprehensive case management computer system designed to automate the delivery of child welfare services. The system was designed to help you and other county, state, and private agency workers share information, manage your workloads, and maintain accurate data for decision making. SACWIS is administered by the Ohio Department of Job and Family Services (ODJFS), in partnership with the state's 88 Public Children Services Agencies (PCSAs). The system's mission is to support service delivery and practice for the safety, permanency, and well-being of children and families.

SACWIS is used at the county level to:

- Document intake and case information
 - Determine IV-E eligibility and reimbursement
 - Maintain services
 - Manage provider information, licensing, and payments
 - Process adoptions and subsidies
 - Make payments to private agencies
 - Maintain private agency service contracts
- CRIS-E - Used primarily to determine eligibility and benefit amounts for Food Stamps, TANF, SCHIP, and Medicaid; and generates the voucher summary detail for these programs. It also maintains data entered by the case workers related to the recipients and their cases.
 - CFIS – (County Finance Information System) July 1, 2009 County JFS finance offices began using CFIS which drives the financial reporting (Forms 2827, 2750, and 2820, RMS activity, etc). The current and archived CFIS information can be accessed at the County JFS site. The County Finance Information System (CFIS) Web went live on July 1, 2012. At the county level financial data is imported (pulled) from templates or from interfaced systems like WebRMS and SACWIS into the CFIS Web reporting system. Information flows from the county system through CFIS and up to OAKS . 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.

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ODJFS Specific Information

- Maximus notified several counties in 2013 that it would remove the PET system from its business line. ODJFS has responded to this decision by developing a Ledger Reporting solution to replace the PET system and it will be a new module in CFIS Web and available for all ODJFS subrecipients. This change will not impact any of our 2014 audits. This Ledger Reporting system was implemented on January 1, 2015. Although all counties have the opportunity to use this module, not all counties use the system. Please see BCFTA update at http://jfs.ohio.gov/ofs/bcfta/BB/2014011314_-_BCFTAUpdateCountyLedgerSystem.stm for further information. Maximus indicated it will continue to support the PET system until Dec 2014..
- According to ODJFS, the list of allowable PAA's has been added to several times since BCFTA update # 2011-17 was issued on 3-24-11, the new CFIS Web Report CR112 shows all the valid PAA's and agencies can print this report.
- 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 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

OMB 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's allowable cost guidelines. These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 225 prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.

For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to 2 CFR 225 to determine if pension costs (an object cost classification) are permissible. (2 CFR 225, Appendix B states they are allowable, with restrictions, so we would need to determine if the auditee met the restrictions.) Both the client and we should look at 2 CFR 225 even if the grant agreement includes a budget by object code approved by the grantor agency.

1. *Adoption Assistance Subsidies* - Funds may be expended for adoption assistance subsidy payments, made on behalf of eligible children (see III.E.1 below) in accordance with a written and binding adoption assistance agreement. Subsidy payments are made to adoptive parents based on the need(s) of the child (i.e. developmental, cognitive, emotional behavioral) and the circumstances of the adopting parents (42 USC 673(a)(2)). Subsidy payment amounts cannot be based on any income eligibility requirements of the prospective adoptive parents (45 CFR section 1356.41(c)). Adoption assistance subsidy payments cannot exceed the foster care maintenance payment (in accordance with the Title IV-E agency's rate schedule) the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of that foster care maintenance payment rate (42 USC 673(a)(3)).
2. *Administrative Costs*
 - a. *Program Administration* - Funds may be expended for costs directly related to the administration of the program. Approved public assistance cost allocation plans (States) or approved cost allocation methodologies (tribes) will identify which costs are allocated and claimed under this program (45 CFR section 1356.60(c)).
 - b. *Nonrecurring Costs* - Funds may be expended by a Title IV-E agency under an adoption assistance agreement for nonrecurring expenses up to \$2,000 (gross amount), for any adoptive placement (45 CFR section 1356.41(f)(1)). Nonrecurring adoption expenses are defined as reasonable and necessary adoption fees, court costs, attorney fees and other expenses that are directly related to the legal adoption of a child with special needs. Other expenses may include those costs of adoption incurred by or on behalf of the adoptive parents, such as, the adoptive home study, health and psychological examination, supervision of the placement prior to adoption, transportation and the reasonable costs of lodging and food for the child and/or the adoptive parents when necessary to complete the placement or adoptions process (45 CFR section 1356.41(i)).

PART III

A. Activities Allowed or Unallowed OMB Compliance Requirements

- c. *Adoption Placement Costs* - Funds expended by the Title IV-E agency for adoption placements (including nonrecurring costs) are considered an administrative expenditure and are subject to the matching requirements in III.G.3.c below (45 CFR section 1356.41(f)(1)).

3. *Training*

- a. Funds may be expended for short-term training of current or prospective adoptive parents and members of the staff of State/tribe-licensed or State/tribe-approved child care institutions (including travel and per diem) at the initiation of or during their period of care (42 USC 674(a)(3)(B) and 45 CFR section 1356.60(b)(1)(ii)).
- b. Funds may be expended for short-term training of (1) relative guardians; (2) State/tribe-licensed or State/tribe-approved child welfare agencies providing services to children receiving title IV-E assistance; (3) child abuse and neglect court personnel; (4) agency, child or parent attorneys; (5) guardians ad litem; and (6) court appointed special advocates (42 USC 674(a)(3)(B), as amended by Section 203 of Pub. L. No. 111-351).
- c. Funds may be expended for training (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the agency administering the plan (42 USC 674(a)(3)(A)).

4. *Demonstration Projects*

Under Section 1130 of the Social Security Act, Title IV-E agencies may be granted authority to operate a demonstration project as set forth in ACF-approved terms and conditions. Any such terms and conditions applicable to the program identify the specific provisions of the Social Security Act that are waived, the additional activities that are deemed as allowable, and the scope and duration (which may not exceed a maximum of 5 total years unless specifically approved for further continuation) of the demonstration project. The demonstration project must remain cost neutral to the Federal government, as provided for in a methodology contained in the approved project terms and conditions involving either a matched comparison group or a capped allocation (42 USC 1320a-9 and Section 201 of Pub. L. No. 112-34).

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

See State Region note in Matching Section G regarding 45 CFR 1356.41(f)(1).

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 forms are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. The RMS studies 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 02820 (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.

PART III

A. Activities Allowed or Unallowed ODJFS Compliance Requirements

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)		Minimum of 354

AOS Additional Testing Consideration

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

County testing will primarily consist of the following:

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

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

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

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

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

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

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

PART III

A. Activities Allowed or Unallowed

ODJFS Compliance Requirements

Auditors will need to test both FTE reporting and RMS. The FTE reporting and RMS testing is included in the program testing file "93_659_Adoption Assistance_2014_audit program_county JFS only_April 2015.docx" 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 into 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 cost items in the different circulars.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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

Introduction

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

Cognizant Agency

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

Availability of Other Information

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

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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 at (<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.
6. *Allocated Central Service Costs (Section I Costs)* - A carry-forward adjustment is not permitted for a central service activity that was not included in the previously approved plan or for unallowable costs that must be reimbursed immediately (A-87, Attachment C, paragraph G.3).
7. *Billed Central Service Costs (Section II Costs)*

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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

The individual State/local departments or agencies (also known as operating agencies) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with A-87.

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

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local department or agency, to substantiate its request for the establishment of an indirect cost rate. The indirect costs include: (1) costs originating in the department or agency carrying out Federal awards, and (2) costs of central governmental services distributed through the State/local-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to A-87, Attachment E, paragraph B).

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

1. *Basic Guidelines* - Refer to the previous section, 'Allowable Costs - State/Local-Wide Central Service Costs, 1.a - Compliance Requirements-Basic Guidelines,' for the guidelines affecting the allowability of costs (direct and indirect) under Federal awards.
2. *Selected Items of Cost* - Refer to the previous section, 'Allowable Costs - State/Local-Wide Central Service Costs, 1.b - Compliance Requirements-Selected Items of Cost,' for the principles to establish allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect.
3. *Allocation of Indirect Costs and Determination of Indirect Cost Rates*
 - a. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
 1. *Simplified Method* - This method is applicable where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in the circular (A-87, Attachment E, paragraph C.2).
 2. *Multiple Allocation Base Method* - This method is applicable where a governmental unit's department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to A-87, Attachment E, paragraph C.3.)
 3. *Special Indirect Cost Rates* - In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs, e.g., the physical location of the work, the nature of the facilities, or level of administrative support required. (For the requirements for a separate indirect cost rate, refer to A-87, Attachment E, paragraph C.4.)
 4. *Cost Allocation Plans* - In certain cases, the cognizant agency may require a State or local governmental unit's department or agency to prepare a CAP instead of an ICRP.

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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.
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. See also Section A.

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)

County family services agencies are not authorized under Ohio law to hold title to real property (an exception does apply to JFS districts, please see the matrix footnotes at the beginning of this document). 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 (2 CFR 225). Rates must be reasonable, however in determining reasonableness, the agency shall research rental costs of comparable property, giving consideration to each of the following:

- 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.

PART III

B. Allowable Costs/Cost Principles

ODJFS Compliance Requirements

County Family Service Agency shall review rental/lease agreements periodically to determine if circumstances have changed and other options are available.

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 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: ORC 329.44 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 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 OMB COST PRINCIPLES CIRCULAR A-87 (codified in 2 CFR Part 225)
(Effective August 31, 2005)**

The following exhibit provides an updated listing of selected items of cost contained in 2 CFR part 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.

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

Selected Cost Item	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts
Advertising and public relations Costs	(1) Allowable with restrictions
Advisory councils	(2)-Allowable with restrictions
Alcoholic beverage	(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)-Allowable with restrictions
Contingency provisions	(9)-Unallowable with exceptions
Deans of faculty and graduate schools	Not addressed
Defense and prosecution of criminal and civil proceedings and claims	(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)

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

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 exception
Fundraising and investment management costs	(17)-Unallowable with exceptions
Gains and losses on depreciable assets	(18)-Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)
General government expenses	(19)-Unallowable with exceptions
Goods or services for personal use	(20) Unallowable
Housing and personal living expenses	Not specifically addressed
Idle facilities and idle capacity	(21)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions
Insurance and indemnification	(22)-Allowable with restrictions
Interest	(23)-Allowable with restrictions
Interest - substantial relocation	Not specifically addressed
Labor relations costs	Not specifically addressed
Lobbying	(24)-Unallowable
Lobbying - executive lobbying costs	(24.b)-Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed
Maintenance and repair costs	(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.
Organization 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
Plant and homeland security costs	(30)-Allowable with restrictions

PART III

B. Allowable Costs/Cost Principles

OMB Compliance Requirements

Pre-agreement costs	(31)-Allowable with restrictions (Pre-award costs)
Professional service 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)-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
Scholarships 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

Note: There are no ODJFS specific requirements for cash management

Reminder –

- Title IV-E funding is on a reimbursement basis (OAC 5101:9-6-28)

Compliance Requirements

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.

Source of Governing Requirements

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

Availability of Other Information

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

PART III

F. Equipment and Real Property Management

OMB Compliance Requirements

Compliance Requirements

Equipment Management

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

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

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

Source of Governing Requirements-Equipment

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

Real Property Management – n/a

Equipment that is capitalized and 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 (applies to States only).

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.

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.
 - (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.

PART III

F. Equipment and Real Property Management

ODJFS Compliance Requirements

- (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: ORC 329.44 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

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 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 part 92), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

OMB Specific Information

Matching

The percentage of required State/tribal funding and associated Federal funding ('Federal financial participation' (FFP)) varies by type of expenditure as follows:

1. Third party in-kind contributions cannot be used to meet the State's cost sharing requirements (Child Welfare Policy Manual Section 8.1F.Q#2 8/16/02). The matching and cost sharing provisions of 45 CFR section 92.24 do not apply to this program (45 CFR sections 1355.30(c) and 1355.30(n)(1); 45 CFR section 201.5(e)). However, for program expenditures made in FY 2012 and thereafter, tribes receiving Title IV-E are permitted to use in-kind funds from any allowable third-party sources to provide up to the full required non-Federal share of administrative or training costs (42 USC 679c(c)(1)(D), 45 CFR section 1356.68(c)).

PART III

G. MATCHING, LEVEL OF EFFORT, EARMARKING

OMB Compliance Requirements

2. *Adoption Assistance Subsidy Payments* - The percentage of Title IV-E funding in Adoption Assistance subsidy payments will be the Federal Medical Assistance Program (FMAP) percentage. This percentage varies by State and is available at <http://www.aspe.hhs.gov/health/fmap.htm> (42 USC 674(a)(1); 45 CFR section 1356.60(a)).
Effective October 1, 2009, separate tribal FMAP rates, which are based upon the tribe's service area and population, apply to Foster Care program maintenance payments incurred by tribes that are participating in Title IV-E programs through either direct operation of an approved Title IV-E plan or through operation of a Title IV-E agreement or contract with a State Title IV-E agency. The methodology for calculating tribal FMAP rates was provided through a final notice in the *Federal Register* that is available at <http://www.gpo.gov/fdsys/pkg/FR-2011-08-01/pdf/2011-19358.pdf>. Information on specific tribal FMAP rates for many tribes applicable for each FY and a table where such rates can be calculated for unlisted tribes is posted on the Children's Bureau's website and is available at <http://www.acf.hhs.gov/programs/cb/focus-areas/tribes>. The calculated FMAP rate for each tribe applies unless it is exceeded by the FMAP rate for any State in which the tribe is located (42 USC 679B(d) and 42 USC 679B(e)).
3. *Staff and Adoptive Parent Training* - The percentage of Federal funding in expenditures for short- and long-term training at educational institutions of employees or prospective employees, and short-term training of current or prospective foster or adoptive parents and members of staff of State/tribe-licensed or State/tribe-approved child care institutions (including travel and per diem) is 75 percent (42 USC 674(a)(3)(A) and (B); 45 CFR section 1356.60(b)).
4. *Professional Partner Training* - The percentage of Federal funding in expenditures for short-term training of (1) relative guardians; (2) State/tribe-licensed or State/tribe-approved child welfare agencies providing services to children receiving Title IV-E assistance; (3) child abuse and neglect court personnel; (4) agency, child or parent attorneys; (5) guardians ad litem; and (6) court appointed special advocates is subject to an increasing FFP rate for these additional trainee groups as follows: 55 percent in FY 2009; 60 percent in FY 2010; 65 percent in FY 2011; 70 percent in FY 2012; 75 percent in FY 2013 and thereafter (42 USC 674(a)(3)(B), as added by Section 203(b) of Pub .L. No. 110-351).
5. *Administrative Costs*
 - a. The percentage of Federal funding for expenditures for planning, design, development, and installation and operation of a state-wide or tribal service area-wide automated child welfare information system meeting specified requirements (and expenditures for hardware components for such systems) is 50 percent (42 USC 674(a)(3)(C) and (D); 45 CFR sections 1355.52 and 1356.60(d)).
 - b. The percentage of Federal funding for adoption placement non-recurring cost expenditures is 50 percent for Title IV-E expenditures up to \$2000 for each adoptive placement (45 CFR section 1356.41(f)(1)).
 - c. The percentage of Federal funding of all other allowable administrative expenditures, is 50 percent (42 USC 674 (a)(3)(E); 45 CFR sections 1356.41(f) and 1356.60(c)).

2.1 Level of Effort – Maintenance of Effort (NEW)

A Title IV-E agency is required to spend an amount equal to any savings in State or tribal expenditures under Title IV-E as a result of applying the differing program eligibility rules to applicable children for a fiscal year to provide any service that is permitted under Title IV-B or IV-E (42 USC 673(a)(8)).

2.2 Level of Effort – Supplement Not Supplant– Not Applicable

3. Earmarking - Not Applicable

PART III

G. MATCHING, LEVEL OF EFFORT, EARMARKING

ODJFS Compliance Requirements

Per ODJFS:

- The matching share is the same at the county level as the state level noted above. The Federal Share is 50% for administrative costs and 75% for training.
- Once the County uses all their allocation monies, they must use local funding for the match.

One note per the State Region:

There are nonrecurring adoption expenses incurred by or on behalf of the parents. These expenses would primarily be legal and other fees associated with the adoption. They are paid by the county and reported to the state on the 2820 as administrative costs.

45 CFR 1356.41 (f) (1) states: "Funds expended by the State under an adoption assistance agreement, with respect to nonrecurring adoption expenses incurred by or on behalf of parents who adopt a child with special needs, shall be considered an administrative expenditure of the title IV-E Adoption Assistance Program. Federal reimbursement is available at a 50 percent matching rate, for State expenditures up to \$2,000, for any adoptive placement."

The County would be responsible for ensuring this \$2,000 limit is not exceeded for any individual case. If material to the program, auditors should review for compliance with the CFR section provided above.

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) (codified in 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) (codified in 45 CFR part 92).

An example used by a program to determine when an obligation occurs (is made) is found under Part 4, Department of Education, CFDA 84.000 (Cross-Cutting Section).

Source of Governing Requirements

The requirements for period of availability of Federal funds are contained in the A-102 Common Rule (§____.23) (codified in 45 CFR 92 for HHS), 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

This program operates on a cash accounting basis and each year's funding and accounting is discrete. To be eligible for Federal funding, claims must be submitted to ACF within 2 years after the calendar quarter in which the Title IV-E agency made the expenditure. This limitation does not apply to prior period decreasing adjustments and any claim qualifying for time limits exception in accordance with 45 CFR section 95.19 (42 USC 1320b-2; 45 CFR sections 95.7, 95.13, and 95.19).

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 OBM 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.

Financial Reporting

1. CB-496, *Title IV-E Programs Quarterly Financial Report (OMB No. 0970-0205)* - Title IV-E agencies report current expenditures and information on children assisted for the quarter that has just ended and estimates of expenditures and children to be assisted for the next quarter. Prior quarter adjustment (increasing and decreasing) expenditures applicable to earlier quarters must also be separately reported on this form.

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

Part 1, *Expenditures, Estimates and Caseload Data, columns (a) through (d) (Sections B and D (Adoption Assistance Program))*

Part 2, *Prior Quarter Expenditure Adjustments - Adoption Assistance, columns (a) through (d)*

Part 3, - *Foster Care, Adoption Assistance and Guardianship Assistance Demonstration Projects, columns (a) through (e)*

PART III

L. Reporting

ODJFS Compliance Requirements

OAC 5101:9-7-01 and **5101:9-7-01.1**, provide guidance on the financing, cash management, and quarterly reconciliation procedures (including some Form 02820 reporting requirements). Public Assistance (PA) funds are determined quarterly and disbursed weekly to the County JFS, upon receipt of the county cash draw request for funds. Available funds are limited by state appropriation and federal grant awards. All payments are issued via electronic funds transfer (EFT). County JFS shall report receipt of revenue, disbursements of funds and provide documentation to justify the allocation of costs and various funds by the submission of the of the random moment sampling observations. A state expenditure reconciliation report of the data is prepared quarterly to show a summary of net expenditures and receipts. The county agency is given the opportunity to review the reconciliation (over / under) reports for accuracy. The quarterly PA fund reconciliation review requirement is intended to correct instances where ODJFS or the county agency discover errors, i.e. incorrect splits of shared costs or wrong allocations, incorrect time study codes, and/or JFS 02820 (CFIS Web report CR 520) codes and expenditures. Quarterly close - The PCSA fund is reconciled each quarter based on the final reconciliation reports.

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

County Level Requirements

In order for ODJFS to prepare the financial reports required, they must obtain financial information from the counties. The 2820 (CFIS Web report CR 520) 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 5101:9-7-01 & 5101:9-7-29. The following items will be tested for the ODJFS 02820:

1. The PCSA Director must certify the accuracy of the receipt and disbursement amounts, then submit the quarterly financial statement to the county auditor for signature.
2. The signed 2820 quarterly financial statement (CR 520 report) shall be submitted to ODJFS no later than the tenth calendar day of the second month following the quarter the report represents (OAC 5101:9-9-29 (C) (2)(c))

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

Please note: The 02820 should be reported on a cash basis.

ODJFS 02820 form and instructions can be found at
<http://www.odjfs.state.oh.us/forms/file.asp?id=892&type=application/pdf> .

Auditors should test the ODJFS 02820 (C/R 520) in conjunction with other programs also reported on the Form. Foster Care is also reported on the ODJFS 02820 Financial Statement PCSA Fund Certification Sheet.

4281 Data is entered into SACWIS and is updated daily within CFIS Web.

PART III

L. Reporting

ODJFS Compliance Requirements

The 4281 data from SACWIS is updated daily in CFIS Web in the C/R 511. Changes need to be made within SACWIS. SACWIS data is closed (data is considered final) the last day of the second month of the financial quarter (April-June placement stats can be adjusted through the end of August).

Note: BCFTA Update 2015-01 (dated 8/21/14) Beginning with the July-September 2014 financial quarter, PCSA agencies have additional time to update 4281 quarterly statistics in SACWIS. These statistics are used to allocate IV-E expenditures. Previously, updates to the 4281 could only be made through the last day of the second month of a financial quarter, now the 4281 can be updated through the last day of the financial quarter. For further information see the update at http://jfs.ohio.gov/ofs/bcfta/BB/BCFTA-Update-4281Statistics_2015-01.stm

Limited Data entry is required is required for the 4281 report, manual completion of parts 1 & 2 are no longer required. Parts 3 and 4 of the 4281 still require manual data entry. County's still need to review and ensure that parts 3 and 4 are entered accordingly. Per FSCASPL 238 data within parts 3 & 4 shall be entered prior to the first day of the third calendar month following the data quarter (i.e.; Before September 1, December 1, March 1 and Junr 1) For further information see FCASPL 238 (dated 10/5/12) at <http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FCASPL238>.

Instructions for completing and generating the 4281 report will be in the SACWIS Knowledge Base.

PART III

M. Subrecipient Monitoring

OMB 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 <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Ensuring Accountability of For-Profit Subrecipients - Awards also may be passed through to for-profit entities. For-profit subrecipients are accountable to the pass-through entity for the use of Federal funds provided. Because for-profit subrecipients are not subject to the audit requirements of OMB Circular A-133, pass-through entities are responsible for establishing requirements, as needed, to ensure for-profit subrecipient accountability for the use of funds.

- *Pass-Through Entity Impact*- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

During-the-Award Monitoring

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

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

PART III

M. Subrecipient Monitoring

OMB Compliance Requirements

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

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

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

Agreed-upon procedures engagements

A pass-through entity may arrange for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass-through entity determines the procedures to be used and compliance areas to be tested, these agreed-upon procedures engagements enable the pass-through entity to target the coverage to areas of greatest risk. The costs of agreed-upon procedures engagements is an allowable cost to the pass-through entity if the agreed-upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$500,000 for fiscal years ending after December 31, 2003) for the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting (OMB Circular A-133 (§ ____230(b)(2)).

Source of Governing Requirements

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§ ____225, § ____310(d)(5), § ____400(d)), A-102 Common Rule (§ ____37 and § ____40(a)) (codified in 45 CFR part 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

ODJFS has provided the following mandated process for subrecipient monitoring.

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

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