**Federal Awards Compliance Audit Guidance and Testing**

|  |  |
| --- | --- |
| **NAME OF CLIENT:** |  |
| **YEAR ENDED:** | 2018 |

|  |  |
| --- | --- |
| **FEDERAL AWARD NAME:** | Children’s Health Insurance Program (CHIP) |
| **CFDA#:** | #93.767 |

**This File has been broken into following sections:**

* Discussion on Agency Adoption of the UG and example citations
  + The HHS codified sections of the UG have been presented prior to the linked sections of the UG 2 CFR 200. For more information on how to cite these sections, please refer to the citation section.
* Introduction- Materiality Sheet – See the table of contents
* Part I- General OMB Compliance Supplement Information,
* Part II- Pass Through Agency Program Specific Introductory Information,
* Part III- Applicable Compliance Requirement Guidance
  + OMB compliance requirements
  + Pass through agency/grant agreement compliance requirements
  + Audit Objectives and Control Testing Procedures
  + Suggested Audit Procedures- Compliance/Substantive Tests
  + Audit Implications Summary
* Program Testing Conclusion

# Important Information (please read)

**This FACCR has been tailored for local government and Not-For–Profit County Job and Family Service Health and Human Services Department programs. It does not include all required references and testing for Institutes of Higher Learning or State organizations.**

**NAVIGATION PANE**

**This file has been arranged to be navigable. Click on the view tab above and check the box that says “Navigation Pane” to bring up the headings. Click on the various sections within the navigation pane to go directly to that section.**

**TABLE OF CONTENTS**

**The Table of Contents starts on page 4. On the table of contents page, users can also click on listed sections to go directly to that section. Please note that as information is added into the unrestricted portions of the FACCRs, page numbering can change and won’t necessarily reflect the footer page numbers. The table of contents can be updated to reflect the proper footer page numbers by clicking on word “contents” directly above the line starting with Introduction, will bring up the icon “update table”. Clicking on the update table icon will allow users to update the page numbers to reflect current footer page numbers.**

**UG vs Non- UG**

This FACCR was written using UG requirements, however:

* + You must document, in your w/p’s, your determination that this major program fell under Uniform Guidance requirements.
  + This FACCR was written as a UG FACCR. If there are material non-UG transactions to test, please contact CFAE via the FACCR Inbox [FACCR@ohioauditor.gov](mailto:FACCR@ohioauditor.gov).
  + Per the 2018 AICPA Government Auditing Standards & Single Audit Guide, paragraph 11.49 through 11.50 states that a separate sample for non-UG award transactions and post-UG award transactions within a major program would not typically be needed. However, if testing both UG and non-UG populations, auditors will need to determine if control testing is sufficient for both UG and non-UG transactions and if additional control testing is necessary for UG specific requirements.

# AGENCY ADOPTION OF THE UG AND EXAMPLE CITATIONS

Federal awarding agencies adopted or implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. The Federal awarding agency implementation gives regulatory effect to 2 CFR part 200 for that agency’s Federal awards and, thereby, establishes requirements with which the non-Federal entity must comply when incorporated in the terms and conditions of the federal award. The following code sections are where ED, HHS, USDA, DOT, EPA, DOL and HUD have adopted the Uniform Guidance in 2 CFR part 200. For the complete list of agencies adopting 2 CFR 200, as of the date of the OMB Compliance Supplement, see [**Appendix II**](OMB_Compliance_Supplement_APP_II.pdf)**.**

In implementing the UG, agencies were able to make certain changes to the part 200 by requesting needed exceptions. A few adopted the UG with no changes; however most agencies did make changes to the UG by either adding specific requirements or editing/modifying the existing language within certain sections of the UG. OMB does not maintain a complete listing of approved agency exception to the UG. Auditors should review the OMB Compliance Supplement and, as necessary, agency regulations adopting/implementing the OMB uniform guidance in 2 CFR part 200 to determine if there is any exception related to the compliance requirements that apply to the program (see link below)

**Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exception.**

*(Source: AOS CFAE)*

# Table of Contents

Table of Contents

[Important Information (please read) 1](#_Toc2788927)

[AGENCY ADOPTION OF THE UG AND EXAMPLE CITATIONS 3](#_Toc2788928)

[Table of Contents 4](#_Toc2788929)

[Introduction: Materiality by Compliance Requirement Matrix 6](#_Toc2788930)

[Part I – OMB Compliance Supplement Information 9](#_Toc2788931)

* [I. Program Objectives 9](#_Toc2788932)
* [II. Program Procedures 9](#_Toc2788933)
* [III. Source of Governing Requirements 10](#_Toc2788934)
* [IV. Other Information 10](#_Toc2788935)

[Part II – Pass through Agency and Grant Specific Information 11](#_Toc2788936)

* [Program Overview 11](#_Toc2788937)
* [Testing Considerations 16](#_Toc2788938)
* [Reporting 16](#_Toc2788939)
* [Information systems, including a description on how they operate (i.e. statewide automated eligibility system, CFIS Web, CFIS Web LR) 16](#_Toc2788940)

[Part III – Applicable Compliance Requirements 18](#_Toc2788941)

[A. ACTIVITIES ALLOWED OR UNALLOWED 18](#_Toc2788942)

* [OMB Compliance Requirements 18](#_Toc2788943)
* [Additional Program Specific Information 19](#_Toc2788944)
* [Audit Objectives and Control Testing 22](#_Toc2788945)
* [Suggested Audit Procedures – Compliance 24](#_Toc2788946)
* [Audit Implications Summary 27](#_Toc2788947)

[B. ALLOWABLE COSTS/COST PRINCIPLES 28](#_Toc2788948)

* [Applicability of Cost Principles 28](#_Toc2788949)
* [Additional Program Specific Information 31](#_Toc2788950)
* [Indirect Cost Rate 33](#_Toc2788951)
* [Cost Principles for States, Local Governments and Indian Tribes 35](#_Toc2788952)
* [Allowable Costs – State/Local Government-wide Central Service Costs 42](#_Toc2788953)
* [Allowable Costs – State Public Assistance Agency Costs 47](#_Toc2788954)
* [Cost Principles for Nonprofit Organizations 50](#_Toc2788955)
* [Audit Implications Summary 51](#_Toc2788956)

[C. CASH MANAGEMENT 52](#_Toc2788957)

* [OMB Compliance Requirements 52](#_Toc2788958)
* [Additional Program Specific Information 53](#_Toc2788959)
* [Audit Objectives and Control Testing 55](#_Toc2788960)
* [Suggested Audit Procedures – Compliance (Substantive Tests) 57](#_Toc2788961)
* [Audit Implications Summary 59](#_Toc2788962)

[E. ELIGIBILITY – Not applicable at the loca level. 60](#_Toc2788963)

[F. EQUIPMENT AND REAL PROPERTY MANAGEMENT – Not Applicable 61](#_Toc2788964)

[G. MATCHING, LEVEL OF EFFORT, EARMARKING 62](#_Toc2788965)

* [OMB Compliance Requirements 62](#_Toc2788966)
* [Additional Program Specific Information 63](#_Toc2788967)
* [Audit Objectives and Control Testing 64](#_Toc2788968)
* [Suggested Audit Procedures – Compliance 65](#_Toc2788969)
* [Audit Implications Summary 66](#_Toc2788970)

[H. PERIOD OF PERFORMANCE 67](#_Toc2788971)

* [OMB Compliance Requirements 67](#_Toc2788972)
* [Additional Program Specific Information 67](#_Toc2788973)
* [Audit Objectives and Control Testing 70](#_Toc2788974)
* [Suggested Audit Procedures – Compliance 71](#_Toc2788975)
* [Audit Implications Summary 72](#_Toc2788976)

[I. PROCUREMENT AND SUSPENSION AND DEBARMENT – Not Applicable 73](#_Toc2788977)

[J. PROGRAM INCOME – Not Applicable 74](#_Toc2788978)

[L. REPORTING 75](#_Toc2788979)

* [OMB Compliance Requirements 75](#_Toc2788980)
* [Additional Program Specific Information 76](#_Toc2788981)
* [Audit Objectives and Control Testing 80](#_Toc2788982)
* [Suggested Audit Procedures – Compliance 81](#_Toc2788983)
* [Audit Implications Summary 82](#_Toc2788984)

[M. SUBRECIPIENT MONITORING 83](#_Toc2788985)

* [OMB Compliance Requirements 83](#_Toc2788986)
* [Additional Program Specific Information 84](#_Toc2788987)
* [Audit Objectives and Control Testing 86](#_Toc2788988)
* [Suggested Audit Procedures – Compliance 88](#_Toc2788989)
* [Audit Implications Summary 89](#_Toc2788990)

[Program Testing Conclusion 90](#_Toc2788991)

# Introduction: Materiality by Compliance Requirement Matrix

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Planning Federal Materiality by Compliance Requirement**  See Footnotes 1-6 below the matrix table for further explanation, in particular, review note 6 which discusses tailoring the matrix assessments. | | | | | | | | | | | |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6)** |
| **Compliance Requirement** | | | **Applicable per Compl.**  **Suppl.** | **Direct & material to program / entity** | **Monetary or nonmonetary** | **If monetary, population subject to require.** | **Inherent risk (IR) assess.** | **Final control risk (CR) assess.** | **Detection risk of noncompl.** | **Overall audit risk of noncompl.** | **Federal materiality by compl. requirement** |
|
|
|
| *(Yes or No)* | *(Yes or No)* | *(M/N)* | *(Dollars)* | *(High/Low)* | *(High/Low)* | *(High/Low)* | *(High/Low)* | *typically 5% of population subject to requirement* |
| **A** |  | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | *5%* |
| **B** |  | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | *5%* |
| **C** |  | **Cash Management** | Yes |  | N |  |  |  |  |  | *5%* |
| **D** |  | ***RESERVED*** |  |  |  |  |  |  |  |  |  |
| **E** |  | **Eligibility** | Yes – Tested at  State Level |  |  |  |  |  |  |  |  |
| **F** |  | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |  | **Matching, Level of Effort, Earmark** | Yes |  | M |  |  |  |  |  | *5%* |
| **H** |  | **Period of Performance** | Yes |  | M |  |  |  |  |  | *5%* |
| **I** |  | **Procurement & Sus. & Debarment** | No |  |  |  |  |  |  |  |  |
| **J** |  | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |  | ***RESERVED*** |  |  |  |  |  |  |  |  |  |
| **L** |  | **Reporting** | Yes |  | N |  |  |  |  |  | *5%* |
| **M** |  | **Subrecipient Monitoring** | Yes |  | N |  |  |  |  |  | *5%* |
| **N** |  | **Special Tests & Provisions** | No |  |  |  |  |  |  |  |  |

**(1)** Taken form Part 2, Matrix of Compliance Requirements, of the OMB Compliance Supplement (<https://www.whitehouse.gov/omb/information-for-agencies/circulars/> ). When Part 2 of the Compliance Supplement indicates that a type of compliance requirement is not applicable, the remaining assessments for the compliance requirement are not applicable.

**(2)** If the Supplement notes a compliance requirement as being applicable to the program in column (1), it still may not apply at a particular entity either because that entity does not have activity subject to that type of compliance requirement, or the activity could not have a material effect on a major program. If the Compliance Supplement indicates that a type of compliance requirement is applicable and the auditor determines it also is direct and material to the program at the specific entity being audited, the auditor should answer this question “Yes,” and then complete the remainder of the line to document the various risk assessments, sample sizes, and references to testing. Alternatively, if the auditor determines that a particular type of compliance requirement that normally would be applicable to a program (as per part 2 of the Compliance Supplement) is not direct and material to the program at the specific entity being audited, the auditor should answer this question “No.” Along with that response, the auditor should document the basis for the determination (for example, "per the Compliance Supplement, eligibility requirements only apply at the state level").

**(3)** Refer to the 2018 AICPA Audit Guide, Government Auditing Standards and Single Audits, chapter 10, Compliance Auditing Applicable to Major Programs, for considerations relating to assessing inherent risk of noncompliance for each direct and material type of compliance requirement. The auditor is expected to document the inherent risk assessment for each direct and material compliance requirement.

**(4)** Refer to the 2018 AICPA Audit Guide, Government Auditing Standards and Single Audits, chapter 9, Consideration of Internal Control over Compliance for Major Programs, for considerations relating to assessing control risk of noncompliance for each direct and material types of compliance requirement. To determine the control risk assessment, the auditor is to document the five internal control components of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (that is, control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material type of compliance requirement. Keep in mind that the auditor is expected to perform procedures to obtain an understanding of internal control over compliance for federal programs that is sufficient to plan the audit to support a low assessed level of control risk. If internal control over compliance for a type of compliance requirement is likely to be ineffective in preventing or detecting noncompliance, then the auditor is not required to plan and perform tests of internal control over compliance. Rather, the auditor must assess control risk at maximum, determine whether additional compliance tests are required, and report a significant deficiency (or material weakness) as part of the audit findings. The control risk assessment is based upon the auditor's understanding of controls, which would be documented outside of this template. Auditors may use the practice aid, Controls Overview Document, to support their control assessment. The Controls Overview Document assists the auditor in documenting the elements of COSO, identifying key controls, testing of those controls, and concluding on control risk. The practice aid is available in either a checklist or narrative format.

**(5)** Audit risk of noncompliance is defined in AICPA, Professional Standards, vol. 1, AU-C 935, as the risk that the auditor expresses an inappropriate opinion on the entity's compliance when material noncompliance exists. Audit risk of noncompliance is a function of the risks of material noncompliance and detection risk of noncompliance.

**(6)** CFAE included the typical monetary vs. nonmonetary determinations for each compliance requirement in this program. However, auditors should tailor these assessments as appropriate based on the facts and circumstances of their entity’s operations. The 2018 AICPA Single Audit Guide 10.54 states the auditor's tests of compliance with compliance requirements may disclose instances of noncompliance. The Uniform Guidance refers to these instances of noncompliance, among other matters, as “audit findings.” Such findings may be of a monetary nature and involve questioned costs or may be nonmonetary and not result in questioned costs. AU-C 935.13 & .A7 require auditors to establish and document two materiality levels: (1) a materiality level for the program as a whole. The column above documents quantitative materiality at the COMPLIANCE REQUIREMENT LEVEL for each major program; and (2) a second materiality level for the each of the applicable 12 compliance requirement listed in Appendix XI to Part 200.

*Note:*

a. If the compliance requirement is of a monetary nature, and

b. The requirement applies to the ***total*** population of program expenditure,

Then the compliance materiality amount for the program also equals materiality for the requirement. For example, the population for allowable costs and cost principles will usually equal the total Federal expenditures for the major program as a whole. Conversely, the population for some monetary compliance requirements may be less than the total Federal expenditures. Auditors must carefully determine the population subject to the compliance requirement to properly assess Federal materiality. Auditors should also consider the qualitative aspects of materiality. For example, in some cases, noncompliance and internal control deficiencies that might otherwise be immaterial could be significant to the major program because they involve fraud, abuse, or illegal acts. Auditors should document PROGRAM LEVEL materiality in the Record of Single Audit Risk (RSAR).

*(Source: AOS CFAE)*

[***Performing Tests to Evaluate the Effectiveness of Controls throughout this FACCR***](Performing%20Tests%20to%20Evaluate%20the%20Effectiveness%20of%20Controls%20throughout%20this%20FACCR.pdf)

[***Improper Payments***](Improper%20Payments.pdf)

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

Title XXI of the Social Security Act (Act) authorizes the Children’s Health Insurance Program (CHIP) to assist State efforts in initiating and expanding the provision of child health assistance to uninsured, low-income children. Under Title XXI, States may provide child health assistance primarily for obtaining health benefits coverage through (1) obtaining coverage under a separate child health program that meets specific requirements; (2) expanding benefits under the State’s Medicaid plan under Title XIX of the Act; or (3) a combination of both. To be eligible for funds under this program, States must submit a State child health plan (State plan), which must be approved by the Secretary of the Department of Health and Human Services (HHS).

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### II. Program Procedures

**Administration and Services**

At the Federal level, CHIP is administered by HHS, through the Center for Medicaid and CHIP Services (CMCS) of the Centers for Medicare and Medicaid Services (CMS).

Title XXI authorizes grants to States that initiate or expand health insurance programs for low- income, uninsured children. Under Title XXI, CHIP is jointly financed by the Federal and State governments and is administered by the States. Within broad Federal guidelines, each State determines the design of its program, eligible groups, benefit packages, payment levels for coverage and administrative and operating procedures. CHIP provides a capped amount of funds to States on a matched basis. Federal payments under Title XXI to States are based on State expenditures under approved plans that could be effective on or after October 1, 1997.

The Children’s Health Insurance Reauthorization Act of 2009 (CHIPRA 2009)Pub. L. No. 111-3) reauthorized CHIP through FY 2013. The Patient Protection and Affordable Care Act (ACA) (Pub. L. No. 111-148) reauthorized CHIP through 2019 and extended CHIP funding through FY 2015.

**State Plans**

Title XXI State plans and amendments to those plans are approved in CMS’s central office. The amendments are reviewed by an intra-Departmental team, which must decide upon approval or disapproval within a 90-day period. This “90-day clock” can be stopped by sending a formal written request for additional information from the State, and can be restarted at the same point when a response is formally received. Copies of State plans are available on Medicaid.gov.

**Waivers**

The State may apply for a waiver of CHIP Federal requirements. Waivers are intended to provide flexibility needed to enable States to try new or different approaches to the efficient and cost-effective delivery of health care services, or to adapt their programs to the special needs of particular areas or groups of enrollees. Waivers allow exceptions to State plan requirements that permit the State to implement innovative programs or activities on a time-limited basis. Such demonstration projects are subject to specific safeguards for the protection of enrollees and the program. The Secretary will approve only demonstration projects that are consistent with key principles of the CHIP statute. States’ waiver authority is found at 42 USC 1397gg(e), which extends to CHIP the Medicaid waiver authority at 42 USC 1315.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### III. Source of Governing Requirements

This program is authorized by Section 490l(a) of the Balanced Budget Act of 1997 (BBA), Pub. L. No. 105-33, as amended by Pub. L. No. 105-100, which added Title XXI to the Social Security Act (Act), and subsequent amendments to Title XXI. Title XXI authorizes CHIP to assist State efforts to initiate and expand the provision of child health assistance to uninsured, low-income children. Title XXI is codified at 42 USC 1397aa-1397jj. The regulations for this program are found at 42 CFR part 457.

In addition to 45 CFR part 92 and OMB Circular A-87/45 CFR part 75 (the HHS implementation of 2 CFR part 200), this program also is subject to the requirements of 45 CFR part 95.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### IV. Other Information

**Availability of Other Program Information**

States and other interested parties can access information on the Department’s policies on this and other issues at [http://www.medicaid.gov/.](http://www.medicaid.gov/)

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

# Part II – Pass through Agency and Grant Specific Information

**The ODJFS Program Specific Information is broken into 5 sections: (1) Program Overview, (2) Program Funding, (3) AOS Testing Considerations, (4) Reporting in the Schedule of Expenditures of Federal Awards, (5) Information Systems, which includes a description on the various system operations (i.e. statewide automated eligibility system, CFIS Web, CFIS Web LR,)**

**Additional ODM Program Information can be obtained** [**(http://medicaid.ohio.gov/Portals/0/Resources/Publications/Materials/medicaid-general-info-card-2014-09-online.pdf**](http://medicaid.ohio.gov/FOROHIOANS/Programs/ChildrenFamiliesandWomen.aspx) **)**

### Program Overview

Links to Ohio SCHIP documents:

[State Plan](http://medicaid.ohio.gov/MEDICAID101/MedicaidStatePlan.aspx)

[Annual Reports](http://medicaid.ohio.gov/RESOURCES/ReportsandResearch/SCHIP.aspx)

In Ohio, the Ohio Healthy Start program (is the State Children’s Health Insurance Program “SCHIP” Medicaid expansion program). It mirrors the Medicaid requirements and therefore should be tested in conjunction with the Medicaid program. The statewide automated eligibility system will report the recipient as CHIP if they meet the eligibility requirements.

To familiarize the auditor with the information on the Medicaid program, the following is directly from the Medicaid FACCR:

Counties accept applications, enter data into statewide automated eligibility system, and issue Medical cards to recipients determined eligible by statewide automated eligibility system based on the application information entered. Individual Medicaid recipients go to Medical Service providers (doctors, hospitals, pharmacies, nursing homes, etc.) who also must meet certain criteria to be eligible to provide services for Medicaid. Eligible Medicaid service providers have three methods of submitting claims, (1) electronic data interchange (EDI), (2) the Medicaid Information Technology System (MITS) or (3) the point of sale system for pharmacy claims. Claims are processed by OMA at the State level (Claim submission is detailed in [OAC 5160-1-19](OAC5160.1.19.pdf)). MITS verifies patients’ eligibility through uploads of information from statewide automated eligibility system and determines allowability of the service provided. All CHIP payments are paid at the State level; therefore, the audit sample for tests of expenditures will be determined and tested by the State level audit team. Substantive tests of Eligibility (recalculations of determinations made by statewide automated eligibility system), will be performed by Medicaid Eligibility Quality Control (MEQC) Unit that is a part of ODM under the direction of the State level audit team.

**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.*

ODJFS has county profiles and web links at <http://jfs.ohio.gov/County/County_Directory.pdf>.

**County Collaborations**

**Collabor8**

Collabor8, formed in 2011, is a project that involves nine county department and family services that will work together under a common agreement to process and manage administrative workloads as one project area.   The MOU was extended indefinitely, and there have not been any changes to participants for SFY 18 or SFY 19.  The fiscal sharing splits for SFY 18 & 19 obtained from Collabor8 documentation provided are below.  This information is unaudited.  Auditors should evaluate for accuracy / reasonableness not only the fiscal split percentages used below but also any other costs allocated as a result of this collaborative effort.  See [FATL 346](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FATL346) dated 4-24-15 and [FACT 55](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FACT55) dated 5/20/15 which lists approved collaborations and [OAC 5101:4-1-16](OAC5101.4.1.16.pdf).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **County** | **State Fiscal Year 18**  **IM Allocations** | **Percentage** | **State Fiscal Year 19**  **IM Allocations** | **Percentage** |
| Carroll | $252,223 | 7.44% | $245,906 | 7.53% |
| Delaware | 280,186 | 8.26% | 268,978 | 8.24% |
| Hancock | 389,993 | 11.50% | 374,393 | 11.47% |
| Holmes | 290,534 | 8.57% | 278,912 | 8.54% |
| Knox | 387,263 | 11.42% | 392,210 | 12,01% |
| Marion | 544,986 | 16.07% | 521,953 | 15,71% |
| Morrow | 255,924 | 7.55% | 252,902 | 7.75% |
| Sandusky | 400,830 | 11.82% | 369,797 | 11.33% |
| Wood | 589,544 | 17.38% | 568,935 | 17.43% |
| Total | $3,391,483 |  | $3,264,986 |  |

**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 potential component unit 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 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 General boilerplate 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 45 CFR 75.318, 75.343, and 75.439(b)(1) ([2 CFR 200.311](2CFR200.311.pdf), [200.329](2CFR200.329.pdf) and [200.439](2CFR200.439.pdf)(b)(1)). We are aware of two districts that have currently formed See below. As communicated in FATL 346 (effective 5-21-15), [OAC 5101:4-1-16](OAC5101.4.1.16.pdf) was updated and designated county collaborations as certification offices responsible for program operations which include, but not limited to: application processing; eligibility determinations; and operation of employment and training programs. Approved counties were removed from the code section and OAC 5101:4-1-16 (B) indicates that approved county collaborations can be found in the food assistance change transmittal letters, which can be found in the food assistance certification hand book at the ODJFS website. The most recent change letter is [FACT 55](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FACT55):

1. 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,

2. Defiance/Paulding Consolidated Department of Job and Family Services is a combination of Defiance and Paulding Counties and it is operating on a 12/31 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), and 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. The grants passed down from ODJFS are funded on a federal fiscal year. The various CFIS reports indicate grant years so receipt and expenditure of awards is identifiable.

**Additional information per ODJFS:**

• Counties cannot adopt policies to broaden or restrict the CHIP program, including eligibility of recipients or services provided. Counties must follow the State Plan. The State Plan is available on the [ODM website](http://medicaid.ohio.gov/MEDICAID101/MedicaidStatePlan.aspx).

• ODJFS Bureau of Monitoring and Consulting Services (BMCS) performs ODJFS program County compliance reviews. The Counties do receive written results of these reviews. Auditors should consider the results of the reviews for planning purposes.

**This is a brief description of the Fiscal Process:**

The County JFS receives different types of Funding:

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

Per [OAC 5101:9-6-31](OAC5101.9.6.31.pdf), Commissioners are required to appropriate the County Share of Public Assistance Expenditures and the Mandated Share Budget at 105%.

2. Federal Allocation – There are two ways federal monies are allocated by the State (There are no local requirements for the calculating or receiving of these allocations.):

• Allocation specific to the grant – Adoption, Foster Care, Child Care Block Grant, Social Services Block Grant and TANF receive allocations specific to their grants. These allocations are based on mandated methodology guidelines, including demographics, expenditure information pulled from CFIS, etc. The County receives notification of their grant allocation from ODJFS.

• 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 ([OAC 5101:9-6-44](OAC5101.9.6.44.pdf)). An agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web.

3. Income Maintenance (State Allocation) - County JFS also receives Income Maintenance (IM) monies. These are State monies County JFS can use to meet matching requirements or reimburse the county for administrative expenditures incurred in the administration of certain programs (See Section A of this document). There are two IM allocations. One allocation for administrative expenditures incurred in the administration of the disability financial assistance (DFA), food assistance (FA), and a separate allocation for medical assistance (MA) including the Medicaid program and the state children's health insurance program (SCHIP) on behalf of the Ohio Department of Medicaid. IM amounts for each county are also entered into CFIS as budgets by ODJFS. County JFS offices can request to move funding between the allocations using the JFS 02725. The request must be submitted to ODJFS no later than the last day of the liquidation period for a closing grant. A County JFS may also elect to transfer all or a portion of its IM allocations to the CSEA. The creation of the two separate IM allocations was communicated in [FAPMTL 276](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL276) and was effective 7-5-13 and clarified in [FAPMTL 305](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL305) and was effective 1-20-15. For further information [OAC 5101:9-6-05](OAC5101.9.6.05.pdf) and [BCFTA update 2013-24](http://jfs.ohio.gov/ofs/bcfta/BB/20130626-BCFTA-Update-2013-24-SFY-14-Medicaid-and-IM-Changes.stm).

[FAPMTL 272](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL272) (dated 4/10/2013) updated the Non-Emergency Transportation (NET), Pregnancy Related Services and Healthchek Services Funding Rule under [OAC 5101:9-6-44.1](OAC5101.9.6.44.1.pdf). Changes were for funding clarifications due to the implementation of CFIS Web. Additional clarification and Ohio Department of Medicaid OAC reference changes for OAC 5101:9-6-44.1 provided through [FAPMTL 305](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL305) (dated 1-22-15).

[FAPMTL 290](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL290) (dated 4/11/2014) communicated an amendment to [OAC 5101:9-6-05.1](OAC5101.9.6.05.1.pdf) concerning the Medicaid Enhanced Eligibility Allocation. The change was made to clarify that training costs are eligible for the enhanced match rate for the entire Period of Performance. A CDJFS may claim training and testing activity at 75% of the ffp for the entire grant period. The funding is provided to meet match fund requirements for costs related to the implementation and operation of the integrated eligibility (IE) system. The funding is 100% state sources. The CDJFS may move eligible expenditures in excess of this allocation to the county's income maintenance (IM) allocation by performing a coding adjustment. Twenty-five per cent will be charged to the county's IM allocation and seventy-five per cent will be charged to the federal Medicaid pass-through funding. If a county exceeds the IM allocation, the CDJFS shall provide matching funds in order to qualify for federal pass-through funding.

4. Other program specific State Allocations

In addition to their County JFS allocations, there are two opportunities for County agencies 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) There are at least 2 opportunities in the fiscal year in which they can apply for additional funds or to release excess funds for re-distribution to other counties. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties; however, the pass-through allocations are not included in either process. ODJFS changes the allocation in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be the reason any such re-allocations in the system. Note: The Ohio Department of Job and Family Services developed a process to allow for specific allocated funds to be exchanged between counties. The process is detailed in rule [5101:9-6-82](OAC5101.9.6.82.pdf) 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). However, federal grants received by the Public Children Services Agency (PCSA) (Adoption Assistance and Foster Care) are reimbursement grants. There may be portions of a program that are on a reimbursement basis however, the remainder of the programs the County JFS agency draws down an advance of funds for anticipated needs. Quarterly adjustments are made for the differences between funds drawn and actual expenditures.

County JFS submit quarterly reports with ODJFS via CFIS. There is a quarterly reconciliation process performed by ODJFS. See also OAC [5101:9-7-03](OAC5101.9.7.03.pdf) and [5101:9-7-03.1](OAC5101.9.7.03.1.pdf) for additional information on the financing, reconciliation and closeout procedures. Auditors should review these sections for specific details on this process. See also Reporting Section L. The reconciliation process with CFIS Web is reflected in [OAC 5101:9-7-03.1](OAC5101.9.7.03.1.pdf).

The CDJFS has access to system reporting throughout the quarter in order to make ongoing adjustments/corrections. County JFS enters expenditures monthly into CFIS Web and submit to OAKS quarterly. They file quarterly the certification of monthly expenditure reports with ODJFS. The CDJFS is given five business days after the eighteenth day of the month following the last month of the quarter to review reports for accuracy. No later than five business days after the eighteenth day of the month following the last month of the quarter, the CDJFS shall submit any final adjustments and/or revisions to OAKS. Once the five-day review period is complete, ODJFS suspends reporting access to OAKS for the closing quarter in order to begin the quarter reconciliation process. The CDJFS shall make any allowable changes that arise after the five-day review period to open grants in the current quarter. ODJFS reconciles refunds and collections at the end of each quarter. ODJFS reconciles state funded allocations and federally funded subgrants at the end of their period of performance. The period of performance includes the funding period and the liquidation period.

The CFIS Web system does not link information into the county auditor’s expenditure ledgers. Counties can manually reenter the information or they may use a computer program for this upload process. Auditors should check to see if the information uploads to the County Auditor’s system accurately by reconciling Form 02827 to the County Auditor’s & JFS records (see Reporting L section of this document). Beginning in 2015 ODJFS made available to its subrecipients, a PET replacement system called the CFIS Web Ledger Reporting (LR) system. Maximus discontinued PET in 2014. Effective March 30, 2018, ODJFS will end all support regarding the downloading of INF files in the Maximus Ledger Suite. Based on our review of the LR system and entities using it for 2018, we determined it was widely adopted for 2018 and it was not tested by ISA.

The OAC codes in the Program Funding section of this Introduction refer to NET, PRST and Healthchek. Since CHIP is a Medicaid expansion program, these also apply to CHIP.

See [BCFTA Update 2017-03](http://jfs.ohio.gov/ofs/bcfta/BB/BCFTA_Update_Cost_Associated_with_County_Lay_off_or_SFY18.stm) and [BCFTA Update 2018-01](http://jfs.ohio.gov/ofs/bcfta/BB/2018-Updates/2018-01_cost-associated-with-staff-lay-offs.stm) regarding costs associated with county lay-off of staff.

See also [FAPL No. 34](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPL34), Abnormal or Mass Severance Pay.

### 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.

### Reporting

Note: See examples SEFA and Footnote shells available at <http://www.ohioauditor.gov/references/practiceaids.html>.

See additional SEFA Guidance in the “Single Audit SEFA 2018 Completeness Guide” located at <http://www.ohioauditor.gov/references/practiceaids.html>.

*(Source: CFAE)*

### Information systems, including a description on how they operate (i.e. statewide automated eligibility system, CFIS Web, CFIS Web LR)

**Computer Systems**

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

* Statewide automated eligibility system - Used primarily to determine eligibility and benefit amounts for Food Assistance, TANF, SCHIP, and Medicaid; and generates the voucher summary detail for these programs. It also maintains data entered by the case workers related to the recipients and their cases.
* CFIS – (County Finance Information System) July 1, 2009 County JFS finance offices began using CFIS which drives the financial reporting (Forms 2827, 2750, and 2820, RMS activity, etc.). The CFIS application became a web-based application in 2012. The current and archived CFIS information can be accessed at the County JFS site. At the county level financial data is imported (pulled) from templates or from interfaced systems like WebRMS into the CFIS Web reporting system. Information flows from the county system through CFIS and up to OAKS. Each grant is coded separately. ODJFS has a spreadsheet for coding in CFIS. ODJFS updates this information each year.

ISA will be testing CFIS Web (including the RMS System used to track Random Moment Sampling activity and allocation of program expenditure. A recap of that work performed and any user control considerations will be sent out when available for 2017.

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

* County JFS fiscal offices use CFIS Web to record their expenditures. However, this system does not link the information into the county auditor’s expenditure ledgers. The counties can manually reenter the information or they may use a computer program for this upload process. The State Region does not look at these type of programs. In 2015 ODJFS made available to its subrecipients, a PET replacement system called the CFIS Web Ledger Reporting (LR) system. Maximus discontinued PET in 2014. Effective March 30, 2018, ODJFS will end all support regarding the downloading of INF files in the Maximus Ledger Suite. Based on our review of the LR system and entities using it for 2018, we determined it was widely adopted for 2018 and it was not tested by ISA.
* The process known as “Adjustment to a Prior Period Allocated and Approved Expenditure” or APAA, allows agencies to make adjustments in instances when 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](http://jfs.ohio.gov/ofs/bcfta/BB/20130228-BCFTA-Update-2013-17-APAA.stm) dated 2/28/13.

**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 – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

### OMB Compliance Requirements

**Important Note:** For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within 45 CFR 75 Subpart E ([2 CFR 200 subpart E](2CFR200_Subpart%20E.pdf)) Cost Principles. These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200 subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.

For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost 45 CFR 75.420-75.475 (2CFR [§ 200.420-200.475](2CFR200.420_thru_200.475.pdf))) to determine if pension costs (an object cost classification) are permissible. 45 CFR 75.431(g) and 2 CFR 200.431(g) state they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and we should look at 45 CFR 75 Subpart E (2 CFR 200 subpart E) even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR 200 and some agencies have been granted exceptions to provisions within 2 CFR 200.

*(Source: AOS CFAE)*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in this Supplement, the specific requirements of the governing statutes and regulations are included in Part 4, “Agency Program Requirements” or Part 5, “Clusters of Programs,” as applicable. 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.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* HHS, DOL, HUD, DOT, and EPA have not made any adjustments or exceptions that directly impact references within this compliance requirement.

**Part 4 OMB Program Specific Requirements**

1. *Activities Allowed –* States have general flexibility in allocating their individual allotments toward activities needed to conduct the CHIP (42 USC 1397ee(a)). In addition to expenditures for child health assistance under the plan for targeted low-income children, other allowable activities, to the extent permitted by 42 USC 1397ee(c), include payment of other child health assistance for targeted low- income children; expenditures for health services initiatives for improving the health of children (targeted and other low income) under the plan; expenditures for outreach activities; and other reasonable costs incurred by the State to administer the plan (42 USC 1397ee).

2. *Activities Unallowed* – Federal funds may not be expended under the State plan to pay for any abortion or to assist in the purchase, in whole or in part, of health coverage that includes coverage of abortion, except if necessary to save the life of the mother or if the pregnancy is the result of incest or rape (42 USC 1397ee(c)).

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

**RMS**

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

* [OAC 5101:9-7-23](OAC5101.9.7.23.pdf) Child Support Random Moment Sample (RMS) Time Study
  + See [FAPMTL No. 358](http://emanuals.jfs.ohio.gov/letter/FAPMTL358/) (eff 10/31/2016)
* [OAC 5101:9-7-20](OAC5101.9.7.20.pdf) Income Maintenance, Workforce, Social Services, and Child Welfare Random Moment Sample (RMS) Time Studies
  + See [FAPMTL No. 318](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL318) (eff 4/12/15).

See also BCFTA Web WebRMS reports at:

* <http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMSTADocument.pdf>
* Desk Guide at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMSDeskGuide.pdf> .
* Web RMS user manual was updated April 2015 and is available here <http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMS_UserManual.stm> .

The RMS observations are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. Both the Income Maintenance RMS (IMRMS) and the Social Services RMS (SSRMS) are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from FTE reporting done in CFIS. 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 02827 financial statements.

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 02827 financial statements.

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

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

**RMS sample sizes required per OAC:**

**IMRMS/SSRMS/CWRMS:** [**OAC 5101:9-7-20**](OAC5101.9.7.20.pdf)**(G)**

**CSRMS:** [**OAC 5101:9-7-23**](OAC5101.9.7.23.pdf)**(G)**

|  |  |  |
| --- | --- | --- |
| RMS Type | Agency Size | # of Observations |
| Income Maintenance (IMRMS) | Ten County Agencies with the Largest IM Cost Pool Expenditures | Minimum of 2,300 |
| Income Maintenance (IMRMS) | All Other County Agencies | 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) | 1-10 Participating positions | Minimum of 33 per worker |
| Child Support (CSRMS) | 11 or more Participating positions | Minimum of 354 |

AOS Additional Testing Consideration

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

County testing will primarily consist of the following:

* Administrative expenses
* FTE/RMS/Cost pools
* Direct expenditures, such as NET (non-emergency transportation), contracts (note: Counties should not contract out eligibility or Medicaid services. See Section M.), etc.

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

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

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

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

These electronic reports in CFIS Web are 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.

Auditors will need to test both FTE reporting and RMS.

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.

County JFS must complete and submit a plan to define EPSDT (non-NET contract) activities. Auditors should review this plan when testing EPSDT expenditures.

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Activities_Allowed_or_Unallowed_Audit_Objectives.pdf)

|  |
| --- |
| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit):  **Here are some questions that can help in documenting the above control requirements:**  **(Note: The County/District JFS Policies should document controls for meeting compliance requirements. Auditors should review the information provided by the County/District JFS to gain an understanding of the procedures in place.)**   1. Does the County/district JFS pay expenditures to the County via a CAP? 2. How does the County ensure only applicable costs are included in the CAP? 3. What procedures does the County/district JFS have in place to ensure they are only paying for allowable activities? 4. What controls does the County/district JFS have to ensure costs are not paid through the CAP and directly to the County/Fiscal Agent? 5. What procedures does the County/district JFS have in place for only allowable costs input into CFIS? 6. What procedures does the County/district JFS have to ensure administrative employees / costs are not reported as part of RMS, unless these employees provide direct services? 7. How does the County ensure that:  * Employees are properly completing the RMS observation; * Documentation is available to support the program and activity claimed; * Observations for absent employees are properly completed; * FTE allocations for the shared cost pool are correct; * Employees are assigned to the correct cost pool; and * Employees are completing the correct RMS observation.  1. Interview the RMS Coordinator. Document RMS coordinator name and date of interview. Document any weaknesses noted. Interview could include questions such as the following:    1. Are you familiar with the RMS procedures summarized in the [RMS User Manual](http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMS_UserManual.stm)?    2. What is your role in the RMS process?    3. What do you do if you receive an RMS observation for an employee who no longer works in your office?    4. How do you ensure the observation is filled out correctly?    5. Have you received any special training or instructions on RMS procedures within the past 12 months?    6. How do you complete the RMS control sample? What is the purpose of the control sample? 2. Interview case workers who participate in RMS. Document employee name and date of interview. Interview could include questions such as the following:    * 1. Are you familiar with the RMS procedures summarized in the [RMS User Manual](http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMS_UserManual.stm)?      2. What do you do when you receive an observation?         1. Complete immediately         2. Hold until appropriate time         3. Complete at my convenience         4. Other (explain)      3. What items need to be completed for the observation?         1. What program you are working with         2. Activity code         3. Case number (or unique identifier)         4. Comment section completed |

### Suggested Audit Procedures – Compliance

|  |
| --- |
| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**   * **Auditors should gain efficiencies by testing in conjunction with other programs with the same requirements for CAP, FTE and RMS** * **For instances where the compliance affects multiple major programs (i.e. RMS, FTE, financial reporting) we can sometimes have one population for determining sample size. See Government Auditing Standards and Single Audit Guide 11.42.** * **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.**   **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| 1. Identify the types of activities which are either specifically allowed or prohibited by Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.  2. When allowability is determined based upon summary level data, perform procedures to verify that:  a. Activities were allowable.  b. Individual transactions were properly classified and accumulated into the activity total.  3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.  4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities.  **Additional ODJFS Steps**  5. If the client has made subawards under the program, select a representative number of awards and determine whether they were only approved for activities as identified in step 1 above. See also Section M.  6. Obtain management’s explanation for any significant questionable expenditures/subawards. Analyze responses and obtain any additional documentation considered necessary.  7. In conjunction with Allowable Costs/Cost Principles in Section B, determine if the disbursements met 45 CFR 75 Subpart E ([2 CFR 200 Subpart E Cost Principles](2CFR200_subpart%20E.pdf)).  Other Attributes:   * Charges were properly coded. * Voucher was properly computed. * Invoice amount agrees to voucher amount * Invoice date precedes voucher date. * If a reimbursement, reimbursement was not claimed greater than 21 months following the payment of the expenditure. * Payments can be made on behalf of eligible and non-eligible children, allowable activities and non-allowable activities per federal terms and conditions.   **CAP (see also CAP testing in Section B)**   1. Summarize monthly payments to the County and review CAP for accuracy of payment. Ensure that payments made were for the current or prior period and they were within the current biennium. 2. Review CAP for reasonableness of County/district JFS expenditures.   **FTE Reporting- the roster is uploaded through the WebRMS system (See** [**OAC 5101:9-7-23**](OAC5101.9.7.23.pdf) **&** [**5101:9-7-20**](OAC5101.9.7.20.pdf) **for additional information.)**   1. Determine if the number of FTE by program area category is consistent with the payroll in the previous quarter. 2. Pull a representative sample of employees and determine if they are reported in the correct program area category based on documentation. (i.e. job duties, job description, personnel file, employee interview, etc.)   **RMS**   1. Determine RMS cost pools that require testing (i.e. Income Maintenance, Social Services, Child Support, Child Welfare). 2. Scan all 4 quarterly RMS Tabulation Reports to identify any indications of misuse or manipulation of RMS codes (could help determine which quarter to test in step 3):    1. High instances of un-funded codes    2. Large variances (over 20%) in RMS coding between quarters    3. Distribution of RMS codes between programs 3. Obtain one quarter’s RMS observations for each population to be tested (i.e. Shared, Income Maintenance, Social Services, Child Support, Child Welfare)   Select a representative sample of observations, test for the following attributes and note any exceptions.   * + 1. Observation includes a case number or other identifier     2. Observation includes the activity, where applicable     3. Determine if documentation exists to substantiate the claimed program and/or activity on the RMS sample observation     4. Employee must respond to the observation within 24 business hours.     5. The RMS Coordinator reviewed and approved all observation moment responses within 48 hours.     6. If the observation had been flagged as part of the quality assurance control group, determine the supervisor/supervisor designee validated the response within the same twenty-four-hour response period that is available to the employee.   Also, determine if it was approved by the supervisor/supervisor designee, and that the response was accepted by the RMS coordinator.     7. No unauthorized or vacant positions were included in the RMS sample  1. From the RMS sample in Step 3, select a sample of employees (no duplicates) and determine if RMS charge is supported    1. Obtain payroll listing with job titles and compare to RMS observations completed    2. Review job duties from observation and / or interview with employee    3. Match job activities from RMS with job descriptions in personnel file    4. If employee is an administrative or supervisory, determine whether they are appropriately completing the RMS observations       1. Administrative support employees can participate in RMS if they provide direct services 50% of the time       2. Supervisory employees can participate in RMS if they provide direct services over 50% of the time 2. The information that was previously included in the County RMS Sample Reference list (the list was a recap from ODJFS of the RMS observations information input into the system by the County/district JFS) is available in the WebRMS system.  * Determine if the required number of observations were performed   **Reminder:** Auditors should not put confidential information in the current working papers and should follow established procedures for protection of confidential information. |

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## B. ALLOWABLE COSTS/COST PRINCIPLES

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

### Applicability of Cost Principles

**Important Note:** For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within 45 CFR 75 Subpart E ([2 CFR 200 subpart E](2CFR200_Subpart%20E.PDF)) Cost Principles. 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 45 CFR 75 Subpart E ([2 CFR 200 subpart E](2CFR200_Subpart%20E.PDF)) prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.

For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost 45 CFR 75.420-75.575 ([2 CFR 200.420-200.475](2CFR200.420_thru_200.475.pdf))) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and we should look at 2 CFR 200 subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also keep in mind that granting agencies have codified 2 CFR 200 and some agencies have been granted exceptions to provisions within 2 CFR 200.

*(Source: AOS CFAE)*

The cost principles in 45 CFR 75, Subpart E ([2 CFR part 200, subpart E](2CFR200_Subpart%20E.PDF)) (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

* States, local governments and Indian tribes
* Institutions of higher education (IHEs)
* Nonprofit organizations

As provided in 45 CFR 75.101 ([2 CFR section 200.101](2CFR200.101.pdf)), the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 45 CFR 75.101 ([2 CFR section 200.101(d)](2CFR200.101(d).pdf)) (see [Appendix I](2CFR200_APPENDIX_I.pdf) of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR part 200, subpart E, but are subject to the requirements [45 CFR part 75, Appendix IX](45CFR75_Appendix_IX.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 45 CFR 75 Subpart E ([2 CFR part 200, subpart E](2CFR200_Subpart%20E.PDF)), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 45 CFR 75 Appendices IV-VII ([2 CFR part 200, Appendices III-VII](2CFR200_Appendix_III_thru_VII.pdf)) as follows:

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* HHS, USDA, and DOL have made additions and edits to subpart E. The most recent compilation of agency additions and exceptions is provided on the COFAR website here <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>. However, this list is only updated through 12/2014.

**Basic Guidelines**

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

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 45 CFR 75, Subpart E [(2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)).

2. Conform to any limitations or exclusions set forth in 45 CFR 75, Subpart E (2 CFR part 200, subpart E) or in the Federal award as to types or amount of cost items.

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

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

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

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

7. Be adequately documented.

**Selected Items of Cost**

45 CFR 75.420 through 75.475 ([2 CFR sections 200.420 through 200.475](2CFR200.420_thru_200.475.pdf)) provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 45 CFR 75.402 through 75.411 ([2 CFR sections 200.402 through 200.411](2CFR200.402_thru_411.pdf)).

[List of Selected Items of Cost Contained in 2 CFR Part 200](Selected_Items_of_Cost_Part_3.2_ComplianceSupplement.pdf)

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

**Written Procedure Requirements:**

45 CFR 75.302(b)(7) ([2 CFR 200.302](2CFR200.302.pdf)(b)(7)) requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award.

45 CFR 75.430 ([2 CFR 200.430](2CFR200.430.pdf)) states that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

45 CFR 75.431 ([2 CFR 200.431](2CFR200.431.pdf)) requires established written leave policies if the entity intends to pay fringe benefits.

45 CFR 75.464(a)(2) ([2 CFR 200.464](2CFR200.464.pdf)(a)(2)) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.

45 CFR 75.474 ([2 CFR 200.474](2CFR200.474.pdf)) requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies.

*(Source: CFAE/eCFR)*

### Additional Program Specific Information

**ODJFS Program Specific 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 (45 CFR 75 Subpart E and 2 CFR 200 Subpart E). 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 (if it is assignable to each program), 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 and (is not assignable to individual programs), 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 properly; however, joint county departments of Job and Family Services organized under ORC § 329 can hold title to real property. The agencies routinely rent or lease (for federal grants management purposes, the terms are interchangeable) the facilities necessary for their operation. Rental costs are allowable costs to federal programs under 45 CFR 75.465 ([2 CFR 200.465](2CFR200.465.pdf)). However, rates must be reasonable in light of such factors as:

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

If the County JFS rents facilities from the board of county commissioners, they are subject to additional restrictions under 45 CFR 75.465 ([2 CFR 200.465](2CFR200.465.pdf)). 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 45 CFR 75.465 (2 CFR 200.465), and the excessive amount would not be an allowable cost to federal programs.

ODJFS issued [County Monitoring Advisory Bulletin 2008-001](http://jfs.ohio.gov/ofs/bcfta/TOOLS/LEASE/CountyMonitoringAdvisoryBulletin2008-001.pdf) regarding this matter.

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

See also [OAC 5101:9-4-11](OAC5101.9.4.11.pdf) (eff. 2-21-15) 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.

Per [FAPMTL 309](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL309) (effective 2/16/15), OAC 5101:9-1-15 was rescinded. According to the transmittal, information for the rule can be found in the OMB Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards CFR part 200. Expenditures after this effective date will need to follow cost principles within 2 CFR part 200 Subpart E. 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.

### Indirect Cost Rate

Except for those non-Federal entities described in 45 CFR part 75 Appendix VII, paragraph D.1.b ([2 CFR part 200, Appendix VII, paragraph D.1.b](2CFR200_Appendix_VII_Para_D(1)(b).pdf)), if a non-Federal entity has never received a negotiated indirect cost rate, it may elect to charge a de minimis rate of 10 percent of modified total direct costs (MTDC). Such a rate may be used indefinitely or until the non-Federal entity chooses to negotiate a rate, which the non-Federal entity may do at any time. If a non-Federal entity chooses to use the de minimis rate, that rate must be used consistently for all of its Federal awards. Also, as described in 45 CFR 75.403 ([2 CFR section 200.403](2CFR200.403.pdf)), costs must be consistently charged as either indirect or direct, but may not be doubled charged or inconsistently charged as both. In accordance with 45 CFR 75.400(g) ([2 CFR section 200.400(g)](2CFR200.400(g).pdf)), a non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the award.

*(Source: 2017 OMB Compliance Supplement 3.2)*

#### Audit Objectives (Deminimis Indirect Cost Rate) and Control Testing Procedures

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Allowable%20Costs%20audit%20objectives_deminimis%20indirect%20cost%20rate.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit): |

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#### Suggested Compliance Audit Procedures – De Minimis Indirect Cost Rate

**Note**: The following subsections identify requirements specific to each type of non-Federal entity.

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| The following suggested audit procedures apply to any non-Federal entity using a de minimis indirect cost rate, whether as a recipient or a subrecipient. None of the procedures related to indirect costs in the sections organized by type of non-Federal entity apply when a de minimis rate is used.  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| 1. Determine that the non-Federal entity has not previously claimed indirect costs on the basis of a negotiated rate. Auditors are required to test only for the three fiscal years immediately prior to the current audit period.  2. Test a sample of transactions for conformance with 45 CFR 75.414(f) ([2 CFR section 200.414(f)](2CFR200.414(f).pdf)).  a Select a sample of claims for reimbursement of indirect costs and verify that the de minimis rate was used consistently, the rate was applied to the appropriate base, and the amounts claimed were the product of applying the rate to a modified total direct costs base.  b Verify that the costs included in the base are consistent with the costs that were included in the base year, i.e., verify that current year modified total direct costs do not include costs items that were treated as indirect costs in the base year.  3. For a non-Federal entity conducting a single function, which is predominately funded by Federal awards, determine whether use of the de minimis indirect cost rate resulted in the non-Federal entity double-charging or inconsistently charging costs as both direct and indirect. |

**2 CFR PART 200**

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

**Introduction**

45 CFR part 75, subpart E ([2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)), and 45 CFR 75 subpart E Appendices III-VII ([Appendices III-VII](2CFR200_Appendix_III_thru_VII.pdf)) establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

***Cognizant Agency for Indirect Costs***

45 CFR part 75, Appendix V, paragraph F ([2 CFR part 200, Appendix V, paragraph F](2CFR200_Appendix_V_Para_F.pdf)), provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 45 CFR 75.2 ([2 CFR section 200.18](2CFR200.18.pdf)). In addition, the change from the term “cognizant agency” in OMB Circular A-87 to the term “cognizant agency for indirect costs” in 2 CFR part 200 was not intended to change the scope of cognizance for central service or public assistance cist allocation plans.

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

#### Audit Objectives/Compliance Requirements and Control Tests Allowable Costs –– Direct and Indirect Costs

The individual State/local government/Indian tribe departments or agencies (also known as “operating agencies”) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 45 CFR part 74, subpart E ([2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)).

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate. The indirect costs include (1) costs originating in the department or agency of the governmental unit carrying out Federal awards, and (2) for States and local governments, costs of central governmental services distributed through the State/local government-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to 45 CFR part 75, Appendix VII, paragraph B ([2 CFR part 200, Appendix VII, paragraph B](2CFR200_Appendix_VII_Para_B.pdf))).

*(Source: 2017 OMB Compliance Supplement 3.2)*

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Allowable%20Costs_DirectandIndirect_ComplianceReq_Auditobjectives.pdf)

**Additional Control Test Objectives for Written Procedures**

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

* UG requires written policies for the requirements outlined in 45 CFR 75.302(b)(7), 45 CFR 75.430, 45 CFR 75.431, 45 CFR 75.464(a)(2), and 45 CFR 75.474 ([2 CFR 200.302](2CFR200.302.pdf)(b)(7), [2 CFR 200.430](2CFR200.430.pdf), [2 CFR 200.431](2CFR200.431.pdf), [2 CFR 200.464](2CFR200.464.pdf)(a)(2), and [2 CFR 200.474](2CFR200.474.pdf))*.*
* Document whether the non-Federal entity established written procedures consistent with the following requirements:
  + 45 CFR 75.302(b)(7) (2 CFR 200.302(b)(7)) for determining the allowability of costs in accordance with Subpart E-Cost Principles.
  + 45 CFR 75.430 (2 CFR 200.430) for allowability of compensation costs.
  + 45 CFR 75.431 (2 CFR 200.431) for written leave policies.
  + 45 CFR 75.464(a)(2) (2 CFR 200.464(a)(2)) for reimbursement of relocation costs.
  + 45 CFR 75.474 (2 CFR 200.474) for travel reimbursements.
* It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 45 CFR 75.302(b)(7), 45 CFR 75.430, 45 CFR 75.431, 45 CFR 75.464(a)(2), and 45 CFR 75.474 (2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.474).
  + While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.
  + The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.
    - If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit): |

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

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| ***Direct Costs***  Test a sample of transactions for conformance with the following criteria contained in 2 CFR part 200, as applicable:   1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable. 2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 45 CFR 75.407 ([2 CFR section 200.407](2CFR200.407.pdf)) for selected items of cost that require prior written approval). 3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).   d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 45 CFR part 75, subpart E ([2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)).  e. Costs conformed to any limitations or exclusions set forth in 2 CFR part 200, subpart E, or in the Federal award as to types or amount of cost items.  f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.  g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.  h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.  i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.  j. Costs were adequately documented.  ***Indirect Costs***  a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.  b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.  (1) Test a sample of transactions for conformance with:  (a) The criteria contained in the “Basic Considerations” section of 45 CFR 75.402 through 75.411 ([2 CFR sections 200.402 through 200.411](2CFR200.402_thru_411.pdf)).  (b) The principles to establish allowability or unallowability of certain items of cost 45 CFR 75.420 through 75.475 ([2 CFR sections 200.420 through 200.475](2CFR200.420_thru_200.475.pdf)).  Note: While several selected items of cost are included in Exhibit 1 , one item to note is *Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 45 CFR 75.430 ([2 CFR 200.430](2CFR200.430.pdf)).  (2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.  c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](Testing%20the%20ICRP%20discussion.pdf)*)*  (1) Verify that the ICRP includes the required documentation in accordance with 45 CFR part 75, Appendix VII, paragraph D ([2 CFR part 200, Appendix VII, paragraph D](2CFR200_Appendix_VII_Para_D.pdf)).  (2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.  \The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 45 CFR part 75, subpart E ([2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)):  (a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR part 200.  (i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).  (ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.  (iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.  (b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR part 200 and produce an equitable distribution of costs.  (i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.  (ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.  (iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).  (c) *Other Procedures*  (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 45 CFR 75.430 ([2 CFR section 200.430](2CFR200.430.pdf)) for additional information on support of salaries and wages.)  (ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.  (3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:  (a) Obtain and read the current ICRA and determine the terms in effect.  (b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).  (4) *Other Procedures* – No Negotiated ICRA  (a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. Where the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.  (b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Allowable Costs – State/Local Government-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 government-wide central service cost allocation plan (CAP) provides that process. (Refer to 45 CFR part 75, Appendix V ([2 CFR part 200, Appendix V](2CFR200_Appendix_V.pdf)), 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 government-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 government-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.

*(Source: 2017 OMB Compliance Supplement 3.2)*

#### Audit Objectives/Compliance Requirements and Control Tests Allowable Costs - State/Local Government-wide Central Service Costs

[**See here for the OMB Compliance Supplement Audit Objectives and Compliance Requirements**](Allowable%20Costs_StateLocal_Govtwide_Centralservicecosts_ComplianceReq_Auditobjectives.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit): |

#### Suggested Compliance Audit Procedures – State/Local Government-Wide Central Service Costs

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| a. For local governments that are not required to submit the central service CAP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing and extent of compliance testing.  b. *General Audit Procedures for State/Local Government-Wide Central Service CAPs* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.  (1) Test a sample of transactions for conformance with:  (a) The criteria contained in the “Basic Considerations” section of 45 CFR 75 part 200, subpart E ([2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)) (sections 45 CFR 75.402 through 75.411 (2 CFR [200.402 through 200.411](2CFR200.402_thru_411.pdf))).  (b) The principles to establish allowability or unallowability of certain items of cost (45 CFR 75.420 through 75.475 [(2 CFR sections 200.420 through 475](2CFR200.420_thru_200.475.pdf))).  (2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.  c. *Special Audit Procedures for State/Local Government-Wide Central Service CAPs*  (1) Verify that the central service CAP includes the required documentation in accordance with 45 CFR part 75, Appendix V, paragraph E ([2 CFR part 200 Appendix V, paragraph E](2CFR200_Appendix_V_Para_E.pdf)).  (2) *Testing of the State/Local Government-Wide Central Service CAPs – Allocated Section I Costs*  (a) If new allocated central service costs were added, review the justification for including the item as Section I costs to ascertain if the costs are allowable (e.g., if costs benefit Federal awards).  (b) Identify the central service costs that incurred a significant increase in actual costs from the prior year’s costs. Test a sample of transactions to verify the allowability of the costs.  (c) Ascertain if the bases used to allocate costs are appropriate, i.e., costs are allocated in accordance with relative benefits received.  (d) Ascertain if the proposed bases include all activities that benefit from the central service costs being allocated, including all users that receive the services. For example, the State-wide central service CAP should allocate costs to all benefiting State departments and agencies, and, where appropriate, non-State organizations, such as local government agencies.  (e) Perform an analysis of the allocation bases by selecting agencies with significant Federal awards to determine if the percentage of costs allocated to these agencies has increased from the prior year. For those selected agencies with significant allocation percentage increases, ascertain if the data included in the bases are current and accurate.  (f) Verify that carry-forward adjustments are properly computed in accordance with 45 CFR part 75, Appendix V, paragraph G.3 ([2 CFR part 200, Appendix V, paragraph G.3](2CFR200_Appendix_V_Para_G(3).pdf)).  (3) *Testing of the State/Local Government-Wide Central Service CAPs – Billed Section II Costs*  (a) For billed central service activities accounted for in separate funds (e.g., internal service funds), ascertain if:  (i) Retained earnings/fund balances (including reserves) are computed in accordance with the cost principles;  (ii) Working capital reserves are not excessive in amount (generally not greater than 60 calendar days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs, and debt principal costs); and  (iii) Adjustments were made when there is a difference between the revenue generated by each billed service and the actual allowable costs.  (b) Test to ensure that all users of services are billed in a consistent manner. For example, examine selected billings to determine if all users (including users outside the governmental unit) are charged the same rate for the same service.  (c) Test that billing rates exclude unallowable costs, in accordance with the cost principles and Federal statutes.  (d) Test, where billed central service activities are funded through general revenue appropriations, that the billing rates (or charges) were developed based on actual costs and were adjusted to eliminate profits.  (e) For self-insurance and pension funds, ascertain if the fund contributions are appropriate for such activities as indicated in the current actuarial report.  (f) Determine if refunds were made to the Federal Government for its share of funds transferred from the self-insurance reserve to other accounts, including imputed or earned interest from the date of the transfer. |

### 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.

45 CFR part 75, Appendix VI, paragraph A ([2 CFR part 200, Appendix VI, paragraph A](2CFR200_Appendix_VI_Para_A.pdf)), 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 specified in [45 CFR part 95, subpart E](45CFR95%20Subpart%20E.pdf).

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).

*(Source: 2017 OMB Compliance Supplement 3.2)*

#### Audit Objectives/Compliance Requirements and Control Tests Allowable Costs - State Public Assistance Agency Costs

[**See here for the OMB Compliance Supplement Audit Objectives and Compliance Requirements**](Allowable%20Costs_State%20Public%20Assistance%20Agency%20Costs_OMB%20supplement.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit): |

#### Suggested Compliance Audit Procedures – State Public Assistance Agency Costs

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| This may be applicable to public assistance programs at the local level  a. Since a significant amount of the costs in the public assistance CAP are allocated based on employee compensation reporting systems, it is suggested that the auditor consider the risk when designing the nature, timing, and extent of compliance testing.  b. *General Audit Procedures* – The following procedures apply to direct charges to Federal awards as well as charges to cost pools that are allocated wholly or partially to Federal awards.  (1) Test a sample of transactions for conformance with:  (a) The criteria contained in the “Basic Considerations” section of 45 CFR 75.402 through 75.411 (2 CFR part 200 [sections 200.402 through 200.411](2CFR200.402_thru_411.pdf)).  (b) The principles to establish allowability or unallowability of certain items of cost at 45 CFR 75.420 through 75.475 ([2 CFR sections 200.420 through 200.475](2CFR200.420_thru_200.475.pdf)).  (2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.  c. *Special Audit Procedures for Public Assistance CAPs*  (1) Verify that the State public assistance agency is complying with the submission requirements, i.e., an amendment is promptly submitted when any of the events identified in [45 CFR section 95.509](45CFR95.509.pdf) occur.  (2) Verify that public assistance CAP includes the required documentation in accordance with [45 CFR section 95.507](45CFR95.507.pdf).  (3) *Testing of the Public Assistance CAP* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of the cost principles and produce an equitable distribution of costs. Appropriate detailed tests may include:  (a) Examining the results of the employee compensation system or in addition the records for employee compensation to ascertain if they are accurate, allowable, and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged.  (b) Since the most significant cost pools in terms of dollars are usually allocated based upon the distribution of income maintenance and social services workers’ efforts identified through random moment time studies, determining whether the time studies are implemented and operated in accordance with the methodologies described in the approved public assistance CAP. For example, verifying the adequacy of the controls governing the conduct and evaluation of the study, and determining that the sampled observations were properly selected and performed, the documentation of the observations was properly completed, and the results of the study were correctly accumulated and applied. Testing may include observing or interviewing staff who participate in the time studies to determine if they are correctly recording their activities.  (c) Testing statistical data (e.g., square footage, case counts, salaries and wages) to ascertain if the proposed allocation bases are reasonable, updated as necessary, and do not contain any material omissions.  (4) *Testing of Charges Based Upon the Public Assistance CAP* – If the approved public assistance CAP is determined to be in compliance with the cost principles and produces an equitable distribution of costs, verify that the methods of charging costs to Federal awards are in accordance with the approved CAP and the provisions of the approval documents issued by HHS. Detailed compliance tests may include:  (a) Verifying that the cost allocation schedules, supporting documentation and allocation data are accurate and that the costs are allocated in compliance with the approved CAP.  (b) Reconciling the allocation statistics of labor costs to employee compensation records (e.g., random moment sampling observation forms).  (c) Reconciling the allocation statistics of non-labor costs to allocation data, (e.g., square footage or case counts).  (d) Verifying direct charges to supporting documents (e.g., purchase orders).  (e) Reconciling the costs to the Federal claims. |

### Cost Principles for Nonprofit Organizations

If the federal program is an NPO, pull up the 2017 OMB compliance supplement [Allowable Costs/Cost Principles section](Cost%20Principles%20for%20Nonprofit%20Organizations.pdf). This section can be completed as an addendum to the FACCR, saved within in your working papers and can the cross referenced section can also be added on this page.

Cross Reference to the NPO Allowable cost principles testing: \_\_\_\_\_\_\_\_\_\_\_\_\_

*(Source: 2017 OMB Compliance Supplement 3.2)*

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## C. CASH MANAGEMENT

### OMB Compliance Requirements

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

***Grants and Cooperative Agreements***

***All Non-Federal Entities***

**Written Procedure Requirements:**

Non-Federal entities must establish written procedures to implement the requirements of 45 CFR 75.305 ([2 CFR section 200.305](2CFR200.305.pdf)) (45 CFR 75.302(b)(6) and ([2 CFR section 200.302(b)(6)](2CFR200.302(b)(6).pdf)).

***States***

[U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.).](UG_Cash_Management_States_US_treasury_support.pdf)

***Non-Federal Entities Other Than States***

Non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means 45 CFR 75.305(b) (2 CFR section 200.305(b)).

[The following link provides for a further discussion on minimized elapsed time.](UG_Cash%20Management_Reimbursement_Advance_discussion.pdf)

To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional Federal cash draws 45 CFR 75.305(b)(5) ([2 CFR section 200.305(b)(5)](2CFR200.305(b)(5).pdf)).

Except for interest exempt under the Indian Self-Determination and Education Assistance Act (23 USC 450), interest earned by non-Federal entities other than States on advances of Federal funds is required to be remitted annually to the U. S. Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852. Up to $500 per year may be kept for administrative expenses 45 CFR 75.305(b)(9) ([2 CFR section 200.305(b)(9)](2CFR200.305(b)(9).pdf)).

[Cost-Reimbursement Contracts under the Federal Acquisition Regulation](UG_Cash%20Management_Cost-Reimbursement_Contracts_under_FAR.pdf)

***Loans, Loan Guarantees, Interest Subsidies, and Insurance***

Non-Federal entities must comply with applicable program requirements for payment under loans, loan guarantees, interest subsidies, and insurance.

***Pass-through Entities***

Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient 45 CFR 75.305(b)(1) ([2 CFR section 200.305(b)(1)](2CFR200.305(b)(1).pdf)).

**Source of Governing Requirements**

The requirements for cash management are contained in 45 CFR 75.302(b)(6) ([2 CFR sections 200.302(b)(6)](2CFR200.302(b)(6).pdf)) and 45 CFR 75.305 (2 CFR [200.305](2CFR200.305.pdf)), [31 CFR part 205](31CFR205.pdf), [48 CFR sections 52.216-7(b)](48CFR52.216-7.pdf) and [52.232-12](48CFR52.232-12.pdf), program legislation, Federal awarding agency regulations, and the terms and conditions of the Federal award.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* HUD, HHS, and DOL have made additions and edits to part 305. The most recent compilation of agency additions and exceptions is provided on the COFAR website here <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>. However, this list is only updated through 12/2014.

**Availability of Other Information**

Treasury’s Financial Management Service maintains a Cash Management Improvement Act web page (<http://www.fms.treas.gov/cmia/>). Information about the Department of Health and Human Services Payment Management System and the Department of the Treasury’ Automated Standard Application for Payments is available at <http://www.dpm.psc.gov/> and <http://fms.treas.gov/asap/index.html>, respectively.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Note:** Violations of cash management rules *alone* generally should not result in a questioned cost unless the entity spent the interest earnings related to the excess grant cash balances on hand throughout the year (these monies would be payable back to the pass-through/federal agency). Further, the interest earnings expended must exceed $25,000 in a single major program to be a questioned cost.

*(Source: AOS CFAE)*

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### Additional Program Specific Information

Please note: NET, PRS and Healthchek are NOT on a reimbursement basis. These are also on an advance basis like other Medicaid programs.

Therefore, all County Medicaid funding is on an advance basis.

Subgrant Agreement, Article V. Amount of Grant/Payments, Section B indicates the “SUBGRANTEE will limit cash draws from ODJFS to the minimum amount needed for actual, immediate requirements in accordance with Cash Management Improvement Act, 31 CFR Part 205, 45 CFR Parts 74 and 92, 7 CFR Part 3016, Transmittal No. TANF-ACF-Pl-01-02 issued by the United States Department of Health and Human Services, and ODJFS requirements including Chapter 7 ([OAC 5101:9-7-03](OAC5101.9.7.03.pdf)) of the Fiscal Administrative Procedures Manual.”

[OAC 5101:9-7-03](OAC5101.9.7.03.pdf) Public assistance (PA) financing and cash management is the State rule for cash management. The rule can be found in chapter 7 of the [Fiscal Administrative Procedures Manual](http://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/).

The requirements for cash management for the Department of Health and Human Services are contained in [45 CFR 75.305](45CFR75.305.pdf)(b), as follows:

Payment: For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

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

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](UG_Cash%20Management_Audit%20Objectives.pdf)

**Additional Control Test Objectives for Written Procedures**

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

* UG requires a written policy for the requirements outlined in 45 CFR 75.302(b)(6) [2 CFR 200.302(b)(6)](2CFR200.302(b)(6).pdf) *Payments*
* Document whether the non-Federal entity established written procedures consistent with the requirements in 45 CFR 75.302(b)(6) (2 CFR 200.302(b)(6)) to minimize the time elapsing between the transfer of funds.
* It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 45 CFR 75.302(b)(6) (2 CFR 200.302(b)(6)).
  + While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.
  + The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.
    - If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit):  **Here are some questions that can help in documenting the above control requirements**   1. What control does the County/district have to limit cash draws from ODJFS to the minimum amount needed for actual, immediate requirements? 2. For County/district subrecipients (subgrantee), what control procedures were established to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable the County/district to prepare complete and accurate cash transactions reports to the awarding agency? |

### Suggested Audit Procedures – Compliance (Substantive Tests)

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **Note**: The following procedures are intended to be applied to each program determined to be major. However, due to the nature of cash management and the system of cash management in place in a particular entity, it may be appropriate and more efficient to perform these procedures for all programs collectively rather than separately for each program.  **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| *Grants and cooperative agreements to non-Federal entities other than States*  1. Review trial balances related to Federal funds for unearned revenue. If unearned revenue balances are identified, consider if such balances are consistent with the requirement to minimize the time between drawing and disbursing Federal funds.  2. Select a sample of advance payments and verify that the non-Federal entity minimized the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity.  3. When non-Federal entities are funded under the reimbursement method, select a sample of transfers of funds from the U.S. Treasury or pass-through entity and trace to supporting documentation and ascertain if the entity paid for the costs for which reimbursement was requested prior to the date of the reimbursement request 45 CFR 75.305(b)(3) ([2 CFR section 200.305(b)(3)](2CFR200.305(b)(3).pdf)).  4. When a program receives program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, or interest earned on such funds; perform tests to ascertain if these funds were disbursed before requesting additional Federal cash draws 45 CFR 75.305(b)(5) [(2 CFR section 200.305(b)(5)](2CFR200.305(b)(5).pdf)).  5. Review records to determine if interest in excess of $500 per year was earned on Federal cash draws. If so, determine if it was remitted annually to the Department of Health and Human Services, Payment Management System 45 CFR 75.305(b)(9) ([2 CFR section 200.305(b)(9)](2CFR200.305(b)(9).pdf)).  *Cost-reimbursement contracts under the Federal Acquisition Regulation*  6. Perform tests to ascertain if the non-Federal entity requesting reimbursement (a) disbursed funds prior to the date of the request, or (b) meets the conditions allowing for the request for costs incurred, but not necessarily paid for, i.e., ordinarily within 30 days of the request ([48 CFR section 52.216-7(b](48CFR52.216-7(b)(1).pdf))).  *Loans, Loan Guarantees, Interest Subsidies, and Insurance*  7. Perform tests to ascertain if the non-Federal entity complied with applicable program requirements.  *All Pass-Through Entities*  8. For those programs where a pass-through entity passes Federal funds through to subrecipients, select a representative sample of subrecipient payments and ascertain if the pass-through entity implemented procedures to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and the disbursement of such funds for program purposes by the subrecipient was minimized 45 CFR 75.305(b)(1) ([2 CFR section 200.305(b)(1)](2CFR200.305(b)(1).pdf)). |

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## E. ELIGIBILITY – Not applicable at the loca level.

Eligibility is tested at the State level for CHIP.

## F. EQUIPMENT AND REAL PROPERTY MANAGEMENT – Not Applicable

Not applicable per 2017 OMB Compliance Supplement Part 2.

## G. MATCHING, LEVEL OF EFFORT, EARMARKING

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

### OMB Compliance Requirements

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of awards pertaining to the program. For programs listed in this Supplement, these specific requirements are in Part 4, “Agency Program Requirements,” or Part 5, “Clusters of Programs,” as applicable.

However, for matching, 45 CFR 75.306 ([2 CFR section 200.306](2CFR200.306.pdf)) 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 Federal award;

- Are necessary and reasonable for accomplishment of project or program objectives;

- Are allowed under [45 CFR part 75, subpart E (2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF)) (Cost Principles);

- Are not paid by the Federal Government under another award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;

- Are provided for in the approved budget when required by the Federal awarding agency; and

- Conform to other provisions of this part, as applicable.

“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 45 CFR 75.306 [(2 CFR section 200.306),](2CFR200.306.pdf) 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.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* USDA, HUD, DOT, HHS and EPA have not made any adjustments or exceptions that directly impact references within this compliance requirement.

**Part 4 OMB Program Specific Requirements**

**1. Matching** – Not Applicable – This OMB requirements will be tested by the State Region. See ODJFS compliance requirements below.

**2.1 Level of Effort** – *Maintenance of Effort* – Not Applicable – This OMB requirements will be tested by the State Region. See ODJFS compliance requirements below.

**2.2 Level of Effort** – *Supplement Not Supplant* – Not Applicable

**3. Earmarking** – Not Applicable – This OMB requirements will be tested by the State Region.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

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

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

*(Source: Ohio Department of Medicaid)*

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Matching_LevelofEffort_Earmarking_Auditobjectives.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit): |

### Suggested Audit Procedures – Compliance

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and- extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| **1.** **Matching**  a. Perform tests to verify that the required matching contributions were met.  b. Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source.  c. Test records to corroborate that the values placed on in-kind contributions (including third party in-kind contributions) are in accordance with 45 CFR 75.306, 75.434, and 75.414 ([2 CFR sections 200.306](2CFR200.306.pdf), [200.434](2CFR200.434.pdf), and [200.414](2CFR200.414.pdf)), and the terms and conditions of the award.  d. Test transactions used to match for compliance with the allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable costs/cost principles.  **2.1** **Level of Effort** – *Maintenance of Effort – Not Applicable*  **2.2** **Level of Effort** – *Supplement Not Supplant – Not Applicable*  **3. Earmarking** *– Not Applicable* |

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## H. PERIOD OF PERFORMANCE

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

### OMB Compliance Requirements

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity 45 CFR 75.309 ([2 CFR section 200.309](2CFR200.309.pdf)).

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award 45 CFR 75.381(b) ([2 CFR section 200.343(b)](2CFR200.343(b).pdf)). When used in connection with a non-Federal entity’s utilization of funds under a Federal award, “obligations” means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period 45 CFR 75.2 ([2 CFR section 200.71](2CFR200.71.pdf)).

**Source of Governing Requirements**

The requirements for the period of performance are contained in 2 CFR section 200.71 (definition of “obligations”), 45 CFR 75.2 [(2 CFR section 200.77](2CFR200.77.pdf)) (definition of “period of performance”), 45 CFR 75.309 ([2 CFR section 200.309](2CFR200.309.pdf)) (period of performance), 45 CFR 75.381 ([2 CFR section 200.343](2CFR200.343.pdf)) (closeout), program legislation, Federal awarding agency regulations; and the terms and conditions of the award.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* HHS has made additions and edits to parts 71, 77, 309 and 343. DOL has made additions and edits to part 343. The most recent compilation of agency additions and exceptions is provided on the COFAR website here <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>. However, this list is only updated through 12/2014.

**Part 4 OMB Program Specific Requirements**

The availability of amounts for FY 2009 and each fiscal year thereafter, shall remain available for expenditure by the State through the end of the succeeding fiscal year (i.e., the year of award and one subsequent fiscal year) (42 USC 1397dd(e)).

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

Period of Performance and Liquidation

Agencies may occasionally have 2 grants open at the same time. (Example: Both TANF FFY 18 and TANF FFY 19 will be available during the Oct 2018 – Dec 2018 quarter.) It is important for agencies to consider the period of performance 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 9/30/18 (and after 10/1/17) to either the FFY 18 grants or FFY 19 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 performance.

* Agencies are encouraged to utilize FFY 18 allocation balances by completing a Post Allocated Adjustment (PAA) for expenditures that occurred for services as of 9/30/2018,
* Agencies may not, under any circumstances, post expenditures incurred after 9/30/18 to a FFY 18 grant. FFY 19 grants must be used for expenditures incurred on or after the beginning of the new FFY (10/1/18.)

**Accessing FFY 17 Grants**

* FFY 17 grants begin on 10/01/2016 are available for expenditures incurred through 9/30/2017. FFY 17 grants will have a liquidation period of 10/01/2017 – 12/31/2017; agencies may post expenditures and submit draw requests until 12/31/2017.
* Since the FFY 17 grants begin on 10/01/2016 expenditures posted via PET or CFIS Web will automatically be mapped to the FFY 17 grants.
* Agencies only need to do a PAA for those expenditures that they are opting to move to the FFY 16 grant (those incurred before 10/1/16). Again, a PAA for this purpose is not a requirement; it is an option for those with remaining FFY16 balances.

**Accessing FFY 18 Grants**

* FFY 18 grants begin on 10/01/2017 are available for expenditures incurred through 9/30/2018. FFY 18 grants will have a liquidation period of 10/01/2018 – 12/31/2018; agencies may post expenditures and submit draw requests until 12/31/2018.
* Since the FFY 18 grants begin on 10/01/2017 expenditures posted via CFIS Web will automatically be mapped to the FFY 18 grants.
* Agencies only need to do a PAA for those expenditures that they are opting to move to the FFY 17 grant (those incurred before 10/1/17). Again, a PAA for this purpose is not a requirement; it is an option for those with remaining FFY17 balances.

**Accessing FFY 19 Grants**

* FFY 19 grants begin on 10/01/2018 are available for expenditures incurred through 9/30/2019. FFY 19 grants will have a liquidation period of 10/01/2019 – 12/31/2019; agencies may post expenditures and submit draw requests until 12/31/2019.
* Since the FFY 19 grants begin on 10/01/2018 expenditures posted via CFIS Web will automatically be mapped to the FFY 19 grants.
* Agencies only need to do a PAA for those expenditures that they are opting to move to the FFY 18 grant (those incurred before 10/1/18). Again, a PAA for this purpose is not a requirement; it is an option for those with remaining FFY18 balances.

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Period%20_of_Performance_Federal_Funds_Auditobjectives.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit):  **Here are some questions that can help in documenting the above control requirements**  What procedures does the County/district JFS have in place to report expenditures within two years after the expense incurred?  What procedures does the County/district JFS have in place for coding adjustments submitted to ODJFS one quarter prior to the end of the two-year period? |

### Suggested Audit Procedures – Compliance

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| 1. Review the award documents and regulations pertaining to the program and determine any award-specific requirements related to the period of performance.  2. For Federal awards with performance period beginning dates during the audit period, test transactions for costs recorded during the beginning of the period of performance and verify that the costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.  3. For Federal awards with performance period ending dates during the audit period, test transactions for costs recorded during the latter part and after the period of performance and verify that the costs had been incurred within the period of performance.  4. For Federal awards with performance period ending dates during the audit period, test transactions for Federal award costs for which the obligation had not been liquidated (payment made) as of the end of the period of performance and verify that the liquidation occurred within the allowed time period.  5. Test adjustments (e.g., manual journal entries) for Federal award costs and verify that these adjustments were for transactions that occurred during the period of performance.  As long as the auditor obtains sufficient, appropriate evidence to meet the period of performance audit objectives, the auditor may test period of performance using the same test items used to test other types of compliance requirements (e.g., activities allowed or unallowed or allowable costs/cost principles). However, if this approach is used, the auditor should exercise care in designing the sample to ensure that sample items are suitable for testing the stated objectives of compliance requirements covered by the sample.  (Source: AOS CFAE) |

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## I. PROCUREMENT AND SUSPENSION AND DEBARMENT – Not Applicable

Not applicable per 2017 OMB Compliance Supplement Part 2.

## J. PROGRAM INCOME – Not Applicable

Not applicable per 2017 OMB Compliance Supplement Part 2.

## L. REPORTING

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

### OMB Compliance Requirements

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

*Financial Reporting*

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

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

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

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

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

Electronic versions of the standard forms are located on OMB’s home page <http://www.whitehouse.gov/omb/grants_forms>).Financial reporting requirements for cost reimbursement contracts subject to the Federal Acquisition Regulation (FAR) are contained in the terms and conditions of the contract.

*Performance and Special Reporting*

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB 45 CFR 75.342 ([2 CFR section 200.328(b)(1)](2CFR200.328(b)(1).pdf)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting are only required for data that are quantifiable and meet the following criteria:

1. Have a direct and material effect on the program.

2. Are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

Performance and special reporting data specified in Part 4, “Agency Program Requirements,” and Part 5, “Clusters of Programs,” meet the above criteria.

**Source of Governing Requirements**

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

* Financial reporting, 45 CFR 75.341 ([2 CFR section 200.327](2CFR200.327.pdf))
* Monitoring and reporting program performance, 45 CFR 75.342 ([2 CFR section 200.328](2CFR200.328.pdf))
* Program legislation.
* Federal awarding agency regulations.
* The terms and conditions of the award.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* USDA, HUD, EPA and HHS have not made any adjustments or exceptions that directly impact references within this compliance requirement.

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement at the local level. However, in order for ODJFS to comply with the state requirements, Counties do need to follow in the next section – Additional Program Specific Information - ODJFS Compliance Requirements.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

[OAC 5101:9-7-03](OAC5101.9.7.03.pdf) and [5101:9-7-03.1](OAC5101.9.7.03.1.pdf), provide guidance on the financing, cash management, and quarterly reconciliation (including some Form 02827 reporting requirements). Public Assistance (PA) funds are determined quarterly and disbursed weekly to the County JFS, upon receipt of the county cash draw request for funds. Available funds are limited by state appropriation and federal grant awards. All payments are issued via electronic funds transfer (EFT). County JFS shall report receipt of revenue, disbursements of funds and provide documentation to justify the allocation of costs and various funds by the submission of the Income Maintenance RMS – Random Moment Sample Observations or the Social Services Random Moment Sample Observations. A state expenditure reconciliation report of the PA data subset is prepared quarterly to show a summary of net expenditures and receipts. The county agency is given the opportunity to review the reconciliation (over / under) reports for accuracy. The quarterly PA fund reconciliation review requirement is intended to correct instances where ODJFS or the county agency discover errors, i.e. incorrect splits of shared costs or wrong allocations, incorrect time study codes, and/or codes and expenditures. Quarterly close - The PA fund is reconciled each quarter based on the final reconciliation reports.

As the result of an internal five-year rule review and to reflect the most current funding practices available, ODJFS communicated in [FAPMTL 241](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL241) (dated 3-28-12) OAC rule [5101:9-7-06](OAC5101.9.7.06.pdf) titled "Reporting Collections and Earnings on Erroneous Payment Recoveries" which includes information on the earnings for the recovery of erroneous payments in addition to current reporting procedures. To ensure reporting is correct at the state level, it is imperative that the CDJFS report collections of benefits from past years separately from the collection of benefits that were issued during the current state fiscal year (SFY). This requirement is paragraph (F) in the rule. ODJFS established coding and communicated that coding via a [Bureau of County Finance Technical Assistance (BCFTA) update 2013-15](http://jfs.ohio.gov/ofs/bcfta/BB/20130110-BCFTA-Update-2013-15-New-Receipt-Coding.stm) (dated 1/10/2013).

The Rule governing county collections is as follows. Please note AOS only included Medicaid specific requirements. If auditors need additional information on reporting county collections, they should review the entire OAC requirement.

[OAC 5101:9-7-06](OAC5101.9.7.06.pdf) Reporting Collections and Earning on Erroneous Payment Recoveries (Eff. 11-10-2016)

A. An erroneous payment is a benefit payment or portion of a payment that was issued in error to an assistance group. When it has been determined that an erroneous payment has occurred, the county department of job and family services (CDJFS) shall attempt to recover the funds. The CDJFS may recover erroneous payments through benefit reduction or through cash collections. Erroneous payments collected by the CDJFS may qualify for additional earnings on the payments. Earnings for recovery of erroneous payments do not apply to participant expense allowances or other support service cash benefits.

B. The CDJFS reports erroneous payment collections that qualify for earnings and the Ohio department of job and family services (ODJFS) issues earnings as follows:

1. Disability Financial Assistance - (N/A for CHIP)

2. Temporary Assistance for Needy Families (Tanf) - (N/A for CHIP)

3. Aid to Dependent Children (ADC) - (N/A for CHIP)

4. Medicaid collections reported on or after July 1, 2004:

a. The CDJFS shall deposit collections of erroneous payments in the PA fund and report the cash collections as earnings from Medicaid collections on the JFS 02827.

b. After the close of each quarter, ODJFS calculates the reported amounts and multiplies by the current non-federal share percentage, which changes every FFY, effective October first, and then multiplies the product of that calculation by fifty per cent.

c. ODJFS issues the amount as an EFT to the county.

5. Food Assistance (FA) - (N/A for CHIP)

C. In addition to collections that are eligible for earnings, the CDJFS shall also report the following erroneous payment collections as receipts on the JFS 02827:

1. Cancellations, collections, refunds, or other General Assistance (GA) receipts;

2. Collections of erroneous payments for Family Emergency Assistance (FEA) medical;

3. Collections of ADC erroneous payments made prior to October 1, 1987;

4. Cancellations, collections, refunds, or other child care receipts;

5. Collections of erroneous payments of Early Learning Initiative (ELI) funds;

6. Collections of erroneous payments of Employment Retention Incentive (ERI) funds; and

7. Collections of Prevention, Retention, and Contingency (PRC).

D. ODJFS will include the erroneous payment collections, as reported on the ODJFS 02827, on the over/under report and collect them as part of the quarterly close calculation.

**County Level Requirements** – can be tested in conjunction with other programs requiring the same form.

In order for ODJFS to prepare the financial reports required, they must obtain financial information from the counties. The ODJFS 02827 is generated in CFIS web, however the County Auditor still needs to sign and certify the final report. If the report generated from CFIS web is not signed it is not considered final. See [OAC 5101:9-7-03](OAC5101.9.7.03.pdf), [5101:9-7-03.1](OAC5101.9.7.03.1.pdf) & [5101:9-7-29](OAC5101.9.7.29.pdf). Tests related to reporting at the county level for public assistance will be limited to the JFS 02827 form and include the following:

1. The CDJFS director must certify the accuracy and amount of disbursements in Section C.

2. The signed quarterly financial statement shall be submitted to ODJFS no later than the 10th day of the second month following the quarter the report represents.

Please note: The JFS 02827 should be reported on a cash basis.

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

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

Counties are still required to submit monthly financial data as an upload in CFIS no later than the eighteenth day of the month following the month of the transaction (see [OAC 5101:9-7-29](OAC5101.9.7.29.pdf))

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

Medicaid

CHIP / SCHIP

Food Assistance / SNAP

TANF

Child Care Cluster

Social Service Block Grant

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Reporting_Auditobjectives.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit): |

### Suggested Audit Procedures – Compliance

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **Note for Direct Awards Only**: For recipients using HHS’ Payment Management System (PMS) to draw Federal funds, the auditor should consider the following steps numbered 1 through 4 as they pertain to the cash reporting portion of the SF-425A, regardless of the source of the data included in the PMS reports. (During FY2016, HHS is completing the transition from pooled payment to use of subaccounts.) Although certain data is supplied by the Federal awarding agency (e.g., award authorization amounts) and certain amounts are provided by HHS’ Payment Management Services, the auditor should ensure that such amounts are in agreement with the recipient’s records and are otherwise accurate.  **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| **Additional ODJFS Steps**  **ODJFS 02827:**  Based on the results of the test of controls, select the quarterly ODJFS 02827 reports and perform the following:  Review each report to determine if:   * All amounts reported are traceable to appropriate supporting documentation and appear to be coded properly. * All amounts reported agree to the Quarterly CFIS reconciliation from ODJFS. * All amounts reported agree to the County Auditors/fiscal agents records. * Form 02827 was signed by County Auditor/fiscal agent and Director and imported into CFIS Web no later than the tenth calendar day of the second month following the quarter the report represents   **Other**  1. Determine if the County/district JFS reviewed the grant reconciliation (over / under) report and responded to ODJFS.  2. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## M. SUBRECIPIENT MONITORING

**Federal awarding agencies adopted/implemented the Uniform Guidance in 2 CFR part 200. The OMB guidance is directed to Federal agencies and, by itself, does not establish regulatory requirements binding on non-federal entities. Throughout the FACCR 2 CFR part 200 has been referenced, however in determining compliance auditors need to refer the applicable agency codification of 2 CFR Part 200. Auditors should review this** [**link**](Agency%20Adoption%20of%20the%20UG%20and%20Example%20Citations.pdf) **for a full discussion of agency adoption of the UG and how to cite non-compliance exceptions. Auditors will need to start with the agency codification of the UG when citing exceptions.**

**Note:** Transfers of Federal awards to another component of the same auditee under 45 CFR part 75, subpart F ([2 CFR part 200, subpart F](2CFR200_subpart_F.pdf)), do not constitute a subrecipient or contractor relationship.

### OMB Compliance Requirements

A pass-through entity (PTE) must (see here for 45 CFR 75.352 ([2 CFR 200.331(a)](2CFR200.331(a).pdf))):

- *Identify the Award* *and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following (see here for 45 CFR 75.352 ([2 CFR 200.331(b)-(f)](2CFR200.331(b)_through_(f).pdf))):

1. The subrecipient’s prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 45 CFR 75.521 ([2 CFR section 200.521](2CFR200.521.pdf)).

* *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR part 200 does not make subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients for the subaward. The agreement with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits 45 CFR 75.501 ([2 CFR section 200.501(h)](2CFR200.501(h).pdf)).

**Source of Governing Requirements**

The requirements for subrecipient monitoring for the subaward are contained in 31 USC 7502(f)(2) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), 45 CFR 75.351, 75.352, and 75.501 ([2 CFR sections 200.330](2CFR200.330.pdf), [.331](2CFR200.331.pdf), and .[501(h)](2CFR200.501(h).pdf)); Federal awarding agency regulations; and the terms and conditions of the award.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* HHS made additions and edits to part 501 (subpart F). The most recent compilation of agency additions and exceptions is provided on the COFAR website here <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>. However, this list is only updated through 12/2014.

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.767 Children’s Health Insurance Program (CHIP))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

Counties should never contract out eligibility determinations or Healthchek services. Counties can however, contract out for support or outreach services, EPSDT services (non-NET contract) and NET services (non-emergency transportation). Contracts (whether vendor or subrecipient) are not required to be submitted or approved by ODJFS. Auditors should review contracts entered into by the County JFS for services to determine if a vendor or subrecipient relationship exists. Auditors should also look for reoccurring expenditures to determine if such a relationship exists without entering into a formal contract.

ODJFS subrecipient monitoring tools:

1) [Subrecipient / Vendor Checklist](http://jfs.ohio.gov/ofs/bmcs/Tools.stm);

2) [Subrecipient / Vendor Example (Criteria Summary)](http://jfs.ohio.gov/ofs/bmcs/TANF_Title_XX_Transfer.pdf);

3) [(Subrecipient) Monitoring Checklis](http://jfs.ohio.gov/ofs/bmcs/Subrecipient_Responsibilities.pdf)t;

ODJFS has a mandated process for subrecipient monitoring in [OAC 5101:9-1-88](OAC5101.9.1.88.pdf) Subrecipient annual risk assessment review and subrecipient monitoring process.

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Subrecipient_Monitoring_Auditobjectives.pdf)

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit):  **Here are some questions that can help in documenting the above control requirements**  Does the County have procedures in place to perform an annual risk assessment review, considering the following:   * + Extent and frequency of the review;   + Type of subrecipient organization;   + Subrecipient’s prior experience;   + Subrecipient’s prior monitoring results;   + Complexity of the program requirements;   + Subrecipient’s organizational stability; and   + Subrecipient’s reporting history   Are there risk assessment review mechanisms to identify the following:   * + When unallowable activities or costs could be charged to a federal program and be undetected or misappropriated, or improper disposition of property acquired with federal funds;   + Changes to eligibility determination systems;   + Accuracy of underlying report source data and the validity of the reports;   + Level of management commitment and understanding of federal requirements and regulatory changes;   + Various internal changes that may affect performance such as financial problems, loss of personnel and rapid growth; and   + If required to be audited as required by 45 CFR part 75, subpart F, that they met that requirement.   The County/District JFS policies should document controls for meeting compliance requirements. Auditors should review the information provided by the County/District JFS to gain an understanding of the procedures in place. |

### Suggested Audit Procedures – Compliance

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **Note**: The auditor may consider coordinating the tests related to subrecipients performed as part of C., “Cash Management” (tests of cash reporting submitted by subrecipients); E., “Eligibility” (tests that subawards were made only to eligible subrecipients); and I., “Procurement and Suspension and Debarment” (tests of ensuring that a subrecipient is not suspended or debarred) with the testing of “Subrecipient Monitoring.”  **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| 1. Review the PTE’s subrecipient monitoring policies and procedures to gain an understanding of the PTE’s process to identify subawards, evaluate risk of noncompliance, and perform monitoring procedures based upon identified risks.   2. Review subaward documents including the terms and conditions of the subaward to ascertain if, at the time of subaward (or subsequent subaward modification), the PTE made the subrecipient aware of the award information required by, 45 CFR 75.352 [(2 CFR section 200.331(a))](2CFR200.331(a).pdf) sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award.  3. Review the PTE’s documentation of monitoring the subaward and consider if the PTE’s monitoring provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.  4. Ascertain if the PTE verified that subrecipients expected to be audited as required by 45 CFR part 75, subpart F ([2 CFR part 200, subpart F](2CFR200_subpart_F.pdf)), met this requirement 45 CFR 75.352 [(2 CFR section 200.331(f)](2CFR200.331(f).pdf)). This verification may be performed as part of the required monitoring under 45 CFR 75.352 ([2 CFR section 200.331(d)(2)](2CFR200.331(d)(2).pdf)) to ensure that the subrecipient takes timely and appropriate action on deficiencies detected though audits. |

### Audit Implications Summary

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| **Audit Implications (adequacy of the system and controls, and the effect on sample size, significant deficiencies / material weaknesses, material non-compliance and management letter comments)** |
| 1. **Results of Test of Controls: (including material weaknesses, significant deficiencies and management letter items)** 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## Program Testing Conclusion

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

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

Per paragraph 13.39 of the **2018** **AICPA Audit Guide, *Government Auditing Standards and Single Audits*,** **[Permalink to here](https://checkpoint.riag.com/app/view/docPermaLink?DocID=iAICPAIGS:767.2440&docTid=T0AICPAIGS:767.2440-1&feature=ttoc&lastCpReqId=97899&tlltype=AICPAIGS:767.2668)**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(45 CFR 75.516) (**[**see 2CFR200 section 516**](2CFR200.516.pdf)**):**

* Significant deficiencies and material weaknesses in internal control over major programs
* Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to major programs
* Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. The auditor also must report (in the schedule of findings and questioned costs) known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.
* Known questioned costs that are greater than $25,000 for programs that are not audited as major.
* The circumstances concerning why the opinion in the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards (for example, a scope limitation that is not otherwise reported as a finding).
* Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for federal awards.
* Significant instances of abuse relating to major programs
* Instances in which the results of audit follow-up procedures disclosed that the summary schedule\* of prior audit findings prepared by the auditee in accordance with 45 CFR 75.511 [(2 CFR Section 200.511(b)](2CFR200.511(b).pdf)) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

45 CFR Appendix I ([Appendix I)](OMB_Compliance_Supplement_APP_I.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR part 200.

45 CFR Appendix I ([Appendix II](OMB_Compliance_Supplement_APP_II.pdf)) provides regulatory citations for Federal agencies’ codification of the OMB guidance on “Uniform Administrative Requirements, Cost Principles, and Audit Requirements” (in 2 CFR part 200).

All departments and agencies other than the following have OMB-approved exceptions as part of their adoption/implementation: Departments of Commerce, Homeland Security, Housing and Urban Development, and Veterans Affairs; Gulf Coast Restoration Council; Institute of Museum and Library Services; National Endowments for the Arts and Humanities; Office of National Drug Control Policy; and Social Security Administration. The complete list of exceptions is available at <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf> and Appendix II of the OMB Compliance Supplement.

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.49 of the 2018 AICPA Audit Guide, *Government Auditing Standards and Single Audits*,** the schedule of findings and questioned costs should include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.33 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or orally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

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

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