**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

|  |  |
| --- | --- |
| **Name of Client:** |  |
| **Year Ended:** | 2023 |

|  |  |
| --- | --- |
| **Federal Award Name:** | WIOA Cluster |
| **AL#:** | 17.258 – WIOA Adult Program  17.259 – WIOA Youth Activities  17.278 – WIOA Dislocated Worker Formula Grants |

# Important Information

**In addition to completing the control and suggested audit procedures, yellow-highlighted text indicates items that must be addressed or updated by auditors and should be deleted after the required information is added.**

*Blue italicized text indicates guidance from CFAE.*

This FACCR has been tailored for local governments and Not-For-Profits. It does not include all required references and testing for Institutes of Higher Learning or State organizations.

If the program had COVID funding expenditures, please refer to the terms and conditions of the grant to determine if any additional requirements were imposed. Also see guidance in [Appendix VII](OMB_Appendix_VII.pdf) of the Compliance Supplement.

If additional material requirements are identified, auditors will need to create procedures to test those requirements. If you have questions, AOS Auditors please open a Spiceworks ticket for assistance (IPAs email [AOSFederal@ohioauditor.gov](mailto:AOSFederal@ohioauditor.gov)).

**Navigation Pane**

Click on the “View” tab on the top ribbon and check the box that says “Navigation Pane” to bring up the headings on the left side of the screen. Click on the various sections within the navigation pane to go directly to that section.

**Table of Contents**

On the table of contents page, users can also click on listed sections to go directly to that section. As information is added into the FACCR, page numbering will change and the Table of Contents may need to be updated to reflect revised numbering. To update the Table of Contents, click on the word “Contents” directly above the line starting with Important Information, which brings up the icon “Update Table.” Clicking OK in the box that appears will update the page numbers on the Table of Contents to reflect any changes in the document.

**Guidance Links**

Links to guidance referenced throughout this document are included below:

* [Part 6](OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/Shared%20Documents/Framework-Executive-Summary.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](OMB_Appendix_II.pdf) *to the OMB Compliance Supplement provides the codified section reference of the agency adoption of the Uniform Guidance (UG) (2 CFR Part 200) and nonprocurement suspension and debarment requirements in 2 CFR Part 180, including the 2020 revisions.*

*While some Federal agencies gave regulatory effect to the Uniform Guidance as a whole, others made changes to the UG language within the agency codified sections by either adding specific requirements/exceptions or editing/modifying existing language. OMB does not maintain a complete listing of agency exceptions to the UG, but the most recent compilation of agency additions and exceptions (updated through December 2014) is provided on the* [*CFO website*](https://www.cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf)*. AOS auditors should review the UG Exception Evaluation by Federal Agency spreadsheet (updated through June 2022)* [*on the Intranet*](https://ohauditor.sharepoint.com/:f:/r/sites/Intranet/Shared%20Documents/Audit_Resources/Federal/Other%20Federal%20Resources?csf=1&web=1&e=RtVw5R) *(Documents > Audit Resources > Federal > Other Federal Resources).*

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements.*

*Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

# Table of Contents

Table of Contents

[Important Information 1](#_Toc143843983)

[Agency Adoption of the UG and Example Citations 3](#_Toc143843984)

[Table of Contents 4](#_Toc143843985)

[Compliance Requirement Matrix 6](#_Toc143843986)

[Part I – OMB Compliance Supplement Information 10](#_Toc143843987)

* [I. Program Objectives 10](#_Toc143843988)
* [II. Program Procedures 10](#_Toc143843989)
* [III. Source of Governing Requirements 11](#_Toc143843990)
* [IV. Other Information 11](#_Toc143843991)

[Part II – Pass through Agency and Grant Specific Information 13](#_Toc143843992)

* [Program Overview 13](#_Toc143843993)
* [Testing Considerations 15](#_Toc143843994)
* [Reporting 16](#_Toc143843995)

[Part III – Applicable Compliance Requirements 17](#_Toc143843996)

[A. ACTIVITIES ALLOWED OR UNALLOWED 17](#_Toc143843997)

* [OMB Compliance Requirements 17](#_Toc143843998)
* [Additional Program Specific Information 24](#_Toc143843999)
* [Audit Objectives and Control Testing 34](#_Toc143844000)
* [Suggested Substantive Audit Procedures – Compliance 34](#_Toc143844001)
* [Audit Implications Summary 35](#_Toc143844002)

[B. ALLOWABLE COSTS/COST PRINCIPLES 37](#_Toc143844003)

* [Applicability of Cost Principles 38](#_Toc143844004)
* [Additional Program Specific Information 40](#_Toc143844005)
* [Cost Principles for States, Local Governments and Indian Tribes 42](#_Toc143844006)
* [OMB Compliance Requirements 42](#_Toc143844007)
* [Audit Implications Summary 49](#_Toc143844008)

[E. ELIGIBILITY 51](#_Toc143844009)

* [OMB Compliance Requirements 51](#_Toc143844010)
* [Additional Program Specific Information 53](#_Toc143844011)
* [Audit Objectives and Control Testing 60](#_Toc143844012)
* [Suggested Substantive Audit Procedures – Compliance 61](#_Toc143844013)
* [Audit Implications Summary 63](#_Toc143844014)

[G. MATCHING, LEVEL OF EFFORT, EARMARKING 64](#_Toc143844015)

* [OMB Compliance Requirements 64](#_Toc143844016)
* [Additional Program Specific Information 65](#_Toc143844017)
* [Audit Objectives and Control Testing 67](#_Toc143844018)
* [Suggested Substantive Audit Procedures – Compliance 68](#_Toc143844019)
* [Audit Implications Summary 69](#_Toc143844020)

[H. PERIOD OF PERFORMANCE 70](#_Toc143844021)

* [OMB Compliance Requirements 70](#_Toc143844022)
* [Additional Program Specific Information 70](#_Toc143844023)
* [Audit Objectives and Control Testing 71](#_Toc143844024)
* [Suggested Substantive Audit Procedures – Compliance 72](#_Toc143844025)
* [Audit Implications Summary 73](#_Toc143844026)

[L. REPORTING 74](#_Toc143844027)

* [OMB Compliance Requirements 74](#_Toc143844028)
* [Additional Program Specific Information 75](#_Toc143844029)
* [Audit Objectives and Control Testing 78](#_Toc143844030)
* [Suggested Substantive Audit Procedures – Compliance 78](#_Toc143844031)
* [Audit Implications Summary 80](#_Toc143844032)

[Program Testing Conclusion 81](#_Toc143844033)

# Compliance Requirement Matrix

*Footnotes 1-7 below the matrix provide further explanation; review note 6 which discusses tailoring the matrix assessments.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | | | **Applicable per Compliance Supplement**  *(Yes/No)* | **Direct & Material to Program / Entity**  *(Yes/No)* | **Monetary**  **or Nonmonetary**  *(Set by CFAE)*  *(M/N)* | **Population Subject to Requirement (if Monetary)**  *(in $)* | **Inherent Risk**  **(from IRAF)**  *(High/Low)* | **Final Control Risk**  *(High/Low)* | **Detection**  **Risk of Noncompl.**  *(High/Low)* | **Overall Audit Risk of Noncompl.**  *(High/Low)* | **Federal Materiality by Compliance Requirement**  *(usually 5%)* |
| **A** |  | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |  | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |  | **Cash Management** | No |  |  |  |  |  |  |  |  |
| **D** |  | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E** |  | **Eligibility** | Yes |  | M/N |  |  |  |  |  | 5% |
| **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 – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |  | **Reporting** | Yes |  | N |  |  |  |  |  | 5% |
| **M** |  | **Subrecipient Monitoring** | Yes | **¥** |  |  |  |  |  |  |  |
| **N** |  | **Special Tests & Provisions** | No |  |  |  |  |  |  |  |  |

**¥** *= All requirements are tested at the State Level, no LEA testing steps were noted per a review of the 2023 Compliance Supplement. If the LEA has subrecipients, please reach out to CFAE via the FACCR Specialty in Spiceworks (AOS auditors) or* [*AOSFederal@ohioauditor.gov*](mailto:AOSFederal@ohioauditor.gov) *(IPAs).*

**(1)** *From Part 2, Matrix of Compliance Requirements, for the applicable program in the* [*OMB Compliance Supplement*](https://www.whitehouse.gov/omb/office-federal-financial-management/)*. For programs not included in Part 2, all compliance requirements should be marked as applicable.*

**(2)** *If the Compliance Supplement notes a compliance requirement as being applicable to the program in the first column, 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. 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 in the working papers or this FACCR. When making that determination all parts of that compliance requirement must be considered. For example, Equipment and Real Property Management contains procedures regarding Acquisitions, Dispositions (Disposals), and Inventory Management. The documentation on why the compliance requirement is not be applicable to the program/entity must address all parts of that compliance requirement.*

***(3)*** *Refer to the AICPA Single Audit Guide, 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. For AOS auditors, the auditor documents the inherent risk assessment for each direct and material compliance requirement on the Inherent Risk Assessment Form (IRAF). The assessments in this column should directly tie to the final inherent risk assessment on the IRAF.*

**(4)** *See guidance on the following page for considerations relating to assessing control risk of noncompliance for each direct and material type of compliance requirement.* ***Planned control risk must be assessed at low per 2 CFR § 200.514; therefore, only final control risk is shown in the matrix.*** *Additionally, auditors must document final control risk in each compliance requirement section’s Audit Implications Summary in this FACCR. See AICPA Single Audit Guide, Chapter 9, Consideration of Internal Control over Compliance for Major Programs.*

**(5)** *Audit risk of noncompliance is defined in 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. A “Low” assessment of detection risk in this matrix means that the risk has been reduced to an acceptable level.*

***(6)*** *The AICPA Single Audit Guide 10.55 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. CFAE included the monetary vs. nonmonetary determinations for each compliance requirement in this program. If AOS auditor believe the determination of monetary vs. nonmonetary should be updated for a particular section, other than sections E and N, they must consult with CFAE via the FACCR specialty in Spiceworks. The Eligibility and Special Tests & Provisions determinations reflect M/N as the determination of whether the compliance requirement is monetary or non-monetary is contingent upon the specific requirements of the program being tested as well as requirements contained within the grant agreement. For sections E and N, auditors should tailor the assessment as appropriate based on the facts and circumstances of their entity’s operations, update the Compliance Requirement Matrix for the appropriate designation (N or M), and document the research and reasoning behind the determination.*

***(7)*** *AU-C 935.13 & .A7 require auditors to establish and document two materiality levels: (1) a materiality level for the program as a whole, and (2) a second materiality level for the each of the applicable 12 compliance requirement listed in Appendix XI to Part 200. This column documents quantitative materiality at the compliance requirement level for each major program.*

*Note: If the compliance requirement is (1) of a monetary nature, and (2) the requirement applies to the* ***total*** *population of program expenditures, then the compliance materiality amount for the program also equals materiality for the requirement as shown in the last column of the matrix. 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. The program level materiality, typically 5%, is documented in the Record of Single Audit Risk (RSAR).*

**Performing Tests to Evaluate the Effectiveness of Controls**

*Control Risk Assessment:*

*Auditors must:*

* *Document the five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material compliance requirement and*
* *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 compliance requirement is likely to be ineffective in preventing or detecting noncompliance, 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.*

*AICPA Single Audit Guide’s paragraph 9.08 states that Uniform Guidance provides that the auditors must perform tests of internal controls over compliance as planned. (Paragraphs 9.40-9.42 of the* *AICPA Single Audit Guide discuss an exception related to ineffective internal control over compliance.) In addition, AU-C 330.08 states the auditor should design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls. Further, AU-C 330.09 states in designing and performing tests of controls, the auditor should obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control.*

*Testing of the operating effectiveness of controls ordinarily includes procedures such as*

1. *inquiries of appropriate entity personnel, including grant and contract managers;*
2. *the inspection of documents, reports, or electronic files indicating performance of the control;*
3. *the observation of the application of the specific controls; and*
4. *reperformance of the application of the control by the auditor.*

*The auditor should perform such procedures regardless of whether he or she would otherwise choose to obtain evidence to support an assessment of control risk below the maximum level.*

*Paragraph .A24 of AU-C section 330 provides guidance related to the testing of controls. When responding to the risk assessment, the auditor may design a test of controls to be performed concurrently with a test of details on the same transactions. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same transaction (a dual-purpose test). For example, the auditor may examine an invoice to determine whether it has been approved and whether it provides substantive evidence of a transaction. A dual-purpose test is designed and evaluated by considering each purpose of the test separately.*

*Also, when performing the tests, the auditor should consider how the outcome of the test of controls may affect the auditor’s determination about the extent of substantive procedures to be performed. See chapter 11 of the AICPA Single Audit Guide for a discussion of the use of dual-purpose samples in a compliance audit.*

*Before a dual-purpose test is performed, AOS auditors must read AOSAM 30500 and 35900 for guidance.*

[Part 6](OMB_Part_6.pdf) of the 2023 OMB Compliance Supplement provides detailed guidance on assessing internal controls over the compliance requirements.

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, federal agencies are required to take actions to prevent improper payments, review federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

1. Any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes -- (i) any payment to an ineligible recipient;(ii) any payment for an ineligible good or service; (iii) any duplicate payment; (iv) any payment for a good or service not received, except for those payments where authorized by law; and (v) any payment that does not account for credit for applicable discounts.
2. A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Auditors must be alert to improper payments, particularly when testing the following parts of section III. – A, “Activities Allowed or Unallowed;” B, “Allowable Costs/Cost Principles;” E, “Eligibility;” and, in some cases, N, “Special Tests and Provisions.”

*(Source: 2023 OMB Compliance Supplement Part 3)*

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

The Workforce Innovation and Opportunity Act (WIOA) authorizes formula grant programs to states to help job seekers access employment, education, training, and support services to succeed in the labor market. Using a variety of methods, states provide employment and training services through a network of American Job Centers (AJC), also known as One-Stop Centers.

The WIOA programs provide employment and training programs for adults, dislocated workers, and youth, together with the Wagner-Peyser Act Employment Service, all administered by the Department of Labor (DOL). Youth employment and educational services are available to eligible out-of-school youth, ages 16 to 24, and low-income in-school youth, ages 14 to 21, who face barriers to employment.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### II. Program Procedures

*Subtitle B Statewide and Local Workforce Development Programs*

These programs provide the framework for delivery of workforce activities at the state and local levels to individuals who need those services, with an emphasis on serving individuals with barriers to employment, including job seekers, dislocated workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. Each state’s governor is required to establish a state Workforce Development Board and develop a Unified State Plan or a Combined State Plan.

A Local Workforce Development Board (local board) is appointed by the chief elected official in each local area in accordance with state criteria established under WIOA Section 107(b) and must be certified by the governor every two years. Each local board, in partnership with the appropriate chief elected officials, develops, and submits a comprehensive four-year plan to the governor, which identifies and describes certain policies, procedures, and local activities that are consistent with the Unified State Plan or the Combined State Plan. The plan must include a description of the AJC delivery system to be established or designated in the local area, including a copy of the local Memorandum of Understanding (MOU) between the local board and each of the AJC partners (1) describing the operation of the local AJC delivery system; (2) identifying the AJC operator or entity responsible for the disbursal of grant funds; and (3) describing the competitive process to be used to award grants and contracts for activities carried out under Subtitle I of WIOA.

The agreement between the local board and the AJC operator specifies the operator’s role. That role may range from simply coordinating service providers within the center, to being the primary provider of services within the center to coordinating activities throughout the local AJC system. The AJC operator may be a single entity or consortium of entities and may operate one or more AJC centers. In addition, there may be more than one AJC operator in a local area. The types of entities that may be selected to be the AJC operator include: (1) an institution of higher education; (2) an employment service state agency established under the Wagner-Peyser Act on behalf of the local office of the agency; (3) a community-based organization, nonprofit organization, or intermediary; (4) a private for-profit entity; (5) a government agency; and (6) another interested organization or entity, which may include a local Chamber of Commerce or other business organization, or a labor organization.

The following federal programs are required to be partners in the local AJC system: (1) programs authorized under Title I of WIOA; (2) programs authorized under the Wagner-Peyser Act (29 USC 49 et seq.); (3) adult education and literacy activities authorized under Title II of WIOA; (4) programs authorized under Title I of the Rehabilitation Act of 1973 (29 USC 720 et seq.), other than Section 112, WIOA, or Part C of that title; (5) senior community service employment activities authorized under Title V of the Older Americans Act of 1965 (42 USC 3056 et seq.); (6) career and technical education programs at the postsecondary level authorized under the Carl D. Perkins Career and Technical Education Act of 2006 (20 USC 2301 et seq.); (7) activities authorized under chapter 2 of Title II of the Trade Act of 1974 (19 USC 2271 et seq.); (8) activities authorized under chapter 41 of Title 38, USC; (9) employment and training activities carried out under the Community Services Block Grant (42 USC 9901 et seq.); (10) employment and training activities carried out by the Department of Housing and Urban Development; (11) programs authorized under state unemployment compensation laws (in accordance with applicable federal law); (12) programs authorized under Section 212 of the Second Chance Act of 2007 (42 USC 17532); and (13) programs authorized under Part A of Title IV of the Social Security Act (42 USC 601 et seq.).

WIOA also provides that other entities delivering workforce development programs may serve as additional partners in the AJC system with the approval of the local board and chief elected official. For a complete list of additional partners, please refer to Section 121(b)(2)(B) of the WIOA.

Each entity in a local area must (1) provide access through the AJC delivery system to the one- stop career services; (2) use a portion of funds made available for the program and activities to maintain the AJC delivery system, including payment of infrastructure costs; (3) enter into a local MOU with the local board relating to the operation of the AJC system; (4) participate in the operation of the AJC system consistent with the terms of the MOU and requirements of authorizing laws; and (5) provide representation on the state Workforce Development Board.

Career services are available at any comprehensive AJC center. Well-trained staff are co-located at each center, and cross-trained. Cost-reimbursement or other agreements between service providers at the comprehensive AJC center and the partner programs are available and are described in the Unified State Plan and the local MOU.

A local board may not itself provide training services to adults and dislocated workers unless it receives a waiver from the governor and meets the requirements of Section106(b)(1)(B) of the WIOA. Instead, local boards, in partnership with the state, identify training providers and programs whose performance qualifies them to receive WIOA funds to train adults and dislocated workers. After receiving career services, and in consultation with case managers, eligible participants who need training use the eligible training provider list, which contains performance and cost information on training eligible providers, to make an informed choice.

Individual Training Accounts (ITAs) are established for eligible individuals to finance training through these eligible training providers. Payments from ITAs may be made in a variety of ways, including the electronic transfer of funds through financial institutions, vouchers, or other appropriate methods. Payments also may be made through payment of a portion of the costs at different points in the training course. Exceptions to the use of ITAs are permissible only where the services provided are for on-the-job or customized training; and where the local board determines that there is an insufficient number of eligible providers available locally.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### III. Source of Governing Requirements

The WIOA program is authorized by Title I of the Workforce Innovation and Opportunity Act of 2014 (Pub. L. No. 113-128). The regulations for the Title I WIOA adult, dislocated worker, and youth programs are at 20 CFR parts 680, 681, 682, and 683, as well as the joint DOL and Department of Education regulations found at 20 CFR parts 676 through 678.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### IV. Other Information

Other information on programs authorized under the WIOA can be found at <http://www.doleta.gov/wioa>.

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

# Part II – Pass through Agency and Grant Specific Information

### Program Overview

The Ohio Department of Job and Family Services (ODJFS) is the WIOA pass-through agency in Ohio. The program is designed to push programmatic decision making down to local governments which appoint business-led workforce development boards to establish local policy, with significant private sector input.

**WIOA Funding**

WIOA funds are issued to ODJFS in components. For example, ODJFS received funds starting in April 2022 with the issuance of PY22 WIOA Youth.  Then in July of 2022 ODJFS received PY22 Adult and PY22 Dislocated.  In October of 2022 ODJFS received FFY23 WIOA Adult and FFY23 WIOA Dislocated Worker funds.  ODJFS sub granted those PY22 and FFY23 WIOA Formula Youth, Adult and Dislocated Worker dollars to the 20 WIOA areas with an end date of 6/30/2024 and a liquidation deadline of 9/30/24. After the close of the "local" period of availability, which is a two-year period for WIOA areas, ODJFS still has spending authority on these funds through 6/30/25 since the state has a 3-year period of availability.

ODJFS also issues Rapid Response that is a subset of the state share of WIOA Dislocated Worker dollars. In practice, ODJFS only issues Rapid Response funds to local areas from the most-recently received FY grant on an October to September federal fiscal year grant period. The end date for these funds would appear on both the Office of Workforce Development allocation request letter and in the County Finance Information System accounting system. The FFY2023 Rapid Response ODJFS issued using FFY2023 Dislocated Worker allotment had an end date of 9/30/2023 and liquidation date of 12/31/2023.

Ohio is organized into 20 local workforce development areas. Each local board has employed or designated a director and possibly other staff responsible for oversight, monitoring and policy implementation for all their WIOA sub-recipients. Many of these areas use a June 30 fiscal year.

The chief local elected official in each area has designated a fiscal agent to serve as grant recipient of the WIOA funds, which may or may not be the same entity employing the local board director and staff. Some Areas, such as Area 7, encompass multiple counties. Where this is the case, the Area appoints one entity to serve as the fiscal agent (i.e., Montgomery County DJFS is the Area 7 fiscal agent). Like other area fiscal agents, Montgomery County will receive and disburse the WIOA allocation for all WIOA subrecipients in the Area. Fiscal agents may disclose the amounts they transmit to other entities in the notes to their federal awards expenditure schedule. However, fiscal agents should not report these amounts as disbursements in their Schedule. (Fiscal agents should only report any amounts they disburse as a WIOA subrecipient in their Schedule.)

Counties and other entities receiving WIOA from the fiscal agents should report their disbursements as pass-through assistance from their area agency in their federal awards expenditure schedule.

*(Source: Jay Mendoza, Bureau Chief, Workforce Administration, Ohio Department of Job and Family Services Office of Workforce Development)*

**The purpose of the law is to:**

* Increase opportunities for individuals, particularly those with barriers to employment
* Support alignment of workforce investment, education, and economic development systems
* Provide workers with the skills and credentials to secure and advance employment
* Promote improvement in the structure and delivery of services
* Increase the prosperity of workers and employers
* Increase the employment retention and earnings of participants and the attainment of recognized post-secondary credentials

**Programs are offered to:**

* [Adults](https://jfs.ohio.gov/job-services-and-unemployment/job-services/job-programs-and-services/workforce-innovation-and-opportunity-act/employment-services/adult-services) 18 years of age or older, who are eligible to work in the United States of America and, if applicable, registered for Selective Service.
* [Dislocated Workers](https://jfs.ohio.gov/job-services-and-unemployment/job-services/job-programs-and-services/workforce-innovation-and-opportunity-act/employment-services/dislocated-worker-services) who have lost their job through no fault of their own.
* [Young Adults](https://jfs.ohio.gov/job-services-and-unemployment/job-services/job-programs-and-services/workforce-innovation-and-opportunity-act/employment-services/youth-services) aged 14-24, who are:
  + Basic skills deficient
  + Homeless
  + Need high school diploma
  + Restored citizen
  + Low income
  + Runaway
  + Foster child
  + Pregnant or parenting (custodial or non-custodial)
  + English language learner
  + Physical or mental impairment (ADA).

*(Source:* [*https://jfs.ohio.gov/job-services-and-unemployment/job-services/job-programs-and-services/workforce-innovation-and-opportunity-act/wioa-workforce-innovation-and-opportunity-act*](https://jfs.ohio.gov/job-services-and-unemployment/job-services/job-programs-and-services/workforce-innovation-and-opportunity-act/wioa-workforce-innovation-and-opportunity-act)*)*

State policies and guidance are issued by the Office of Workforce Development (OWD). Policies that have been rescinded or updated are archived online. There is also a glossary of terms used in WIOA and workforce development. [Glossary of Terms](https://jfs.ohio.gov/static/owd/WorkforceProf/Docs/Glossary.pdf) There is also an administrative rule for WIOA Youth.

*(Source:* [*WIOAMTL 3*](http://emanuals.jfs.ohio.gov/letter/WIOAMTL3/) *(OAC 5101:10-3-01))*

Policies are organized by main subject area and are in reverse chronological order. Each entry includes the title of the document, title and number of series (e.g. [Workforce Innovation Opportunity Act Policy Letter (WIOAPL) 17-06.2)](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-06-2.stm) and date issued, for instance (01/11/2022).

*(Source: ODJFS website at:* [*https://jfs.ohio.gov/job-services-and-unemployment/job-services/workforce-professionals/resources/state-policy-guidance*](https://jfs.ohio.gov/job-services-and-unemployment/job-services/workforce-professionals/resources/state-policy-guidance)*)*

WIOA Organization Chart (October, 2022) can be found at: [https://jfs.ohio.gov/static/owd/WIOA/docs/LocalWorkforceSystem.pdf](https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fjfs.ohio.gov%2Fstatic%2Fowd%2FWIOA%2Fdocs%2FLocalWorkforceSystem.pdf&data=05%7C01%7CTheresa.Groth-Joynt%40jfs.ohio.gov%7C20adf806fd3f43d6c89d08db974feb9a%7C50f8fcc494d84f0784eb36ed57c7c8a2%7C0%7C0%7C638270141724347736%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=wDiL7kfu1U47P2xUFNvUGafxQZii%2FjaY%2BwouGeWUOAg%3D&reserved=0)

An area agency may have subrecipients other than the counties listed in this chart, such as not-for-profit organizations, to which this FACCR would apply.

The map of counties within each of the 20 local areas is available at: <https://jfs.ohio.gov/static/owd/WIOA/docs/2018-Local_Workforce-System-map.pdf>

**Note:** Local Workforce Development Boards establish local workforce policies and priorities

A listing of OhioMeansJobs centers can be found at: <https://jfs.ohio.gov/static/owd/WIOA/docs/OhioMeansJobs-Centers-by-County.pdf>

Note:The OMB Compliance Supplement makes several references to American Job Centers (AJC). In Ohio these are known as OhioMeansJobs Centers. Ohio has 88 certified OhioMeansJobs centers that provide services to job seekers and employers. WIOA section 121(d)(2)(A) requires local boards to competitively procure the area’s OhioMeansJobs Center operator(s), as further described in ODJFS [WIOA Policy Letter](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-16-08.stm) 16-08 and [WIOA Policy Letter 17-01](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-01.stm). All areas have completed the process. Every WIOA Local Workforce Area has staff to the local board and fiscal agent to administer WIOA programs and funds.

Locally procured OhioMeansJobs system operators oversee OhioMeansJobs systems/Centers that provide services to single or multi-county areas.

Additional information about WIOA administration in Ohio (including the information above) can be found at: <https://jfs.ohio.gov/static/owd/WIOA/docs/2018-Local_Workforce-System-map.pdf>

*(Source: Paige Thomas, the Ohio Department of Job and Family Services Office of Workforce Development, Policy Manager)*

### Testing Considerations

County Monitoring Advisory Bulletin 2012-01/ Workforce Investment Act Advisory Bulletin 2012-01 issued February 13, 2012 states that due to the fact the “audits require the use of protected health information and other confidential data” JFS directors and WIOA area agencies should “Under no circumstances give the AOS audit staff access to any of the ODJFS systems.” Auditors should plan accordingly.

*(Source: Jay Mendoza, Bureau Chief, Workforce Administration, Ohio Department of Job and Family Services Office of Workforce Development)*

**Comprehensive Case Management and Employment Program**

The Comprehensive Case Management and Employment Program (CCMEP) is a collaborative Title IV-A program and workforce development activity designed to improve employment and education outcomes for low-income young adults by assisting participants in overcoming barriers to employment and developing employment skills. This program is designed based on the WIOA Youth program services and outcome measurements. It combines Temporary Assistance for Needy Families (TANF) regular and administrative funds under 93.558 and Workforce Innovation and Opportunity Act (WIOA) youth funds under CFDA 17.259. See [FAPMTL No. 345](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/FAPMTL/FAPMTL-345.stm) (fiscal rules regarding CCMEP allocations), [CCMEPMTL No 1](https://emanuals.jfs.ohio.gov/Workforce/CCMEP/CCMEPMTL/CCMEPMTL-1.stm) (initial program rules created or modified when CCMEP was established, including CCMEP, WIOA and cash assistance programs), [CCMEPMTL No 2](https://emanuals.jfs.ohio.gov/Workforce/CCMEP/CCMEPMTL/CCMEPMTL-2.stm) (rule changes regarding engagement and assessments), [CCMEPMTL No 3](https://emanuals.jfs.ohio.gov/Workforce/CCMEP/CCMEPMTL/CCMEPMTL-3.stm) (rule changes to clarify language and streamline the program requirements), [CCMEPTTL 4](https://emanuals.jfs.ohio.gov/Workforce/CCMEP/CCMEPMTL/CCMEPMTL-4.stm) (rule changes to reference revised forms), [CCMEPTTL 5](https://emanuals.jfs.ohio.gov/Workforce/CCMEP/CCMEPMTL/CCMEPMTL-5.stm) (rules changes to clarify language and streamline program requirements based on stakeholder feedback), [WIOAMTL 1](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAMTL/WIOAMTL-1.stm) (initial WIOA Youth eligibility rule), [WIOAMTL 2](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAMTL/WIOAMTL-2.stm) (rule changes to clarify language), [WIOAMTL 3](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAMTL/WIOAMTL-3.stm) (rule changes to clarify language), [WIOAMTL 4](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAMTL/WIOAMTL-4.stm) (5-year review with no changes), [WIOA Policy Letters](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/) and the [ODJFS CCMEP Webpage](https://jfs.ohio.gov/job-services-and-unemployment/job-services/job-programs-and-services/comprehensive-case-management-and-employment-program) for additional guidance.

CCMEP TANF allocations provide funding for eligible individuals to receive employment, training services, and other supportive services. Each Board of County Commissioners must designate a Lead Agency to administer the CCMEP TANF funds. The lead agency may be the County DJFS or the workforce development agency which is the case in 9 counties: Columbiana, Highland, Lawrence, Lorain, Lucas, Mahoning, Stark, Tuscarawas, and Warren. If the county DJFS is the lead agency, the CCMEP TANF dollars flow from ODJFS to the county DJFS as the sub-recipient. If the workforce development agency is the lead agency, the CCMEP TANF funds flow to the local area fiscal agent along with the CCMEP WIOA Youth funds which flow to the local area fiscal agent in any case. The lead agency was initially required to adopt and submit a CCMEP program plan to ODJFS no later than May 30, 2016 since that time new biennial plans are due June 30th. However, the plans from the last biennium (7/1/2021 – 6/30/2023) were due September 30, 2021 once the plan template was updated. The plan establishes standard processes for administering these TANF and WIOA funds and explains how the lead agency works with the local board to coordinate and integrate services funded with both the TANF and WIOA allocations. For CCMEP TANF funded services, the Lead Agency provides services in accordance with the [https://view.officeapps.live.com/op/view.aspx?src=https://jfs.ohio.gov/owd/CCMEP/docs/ServicesMatrix.pdf&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fjfs.ohio.gov%2Fstatic%2Fowd%2FCCMEP%2Fdocs%2FService%2520Matrix%2520to%2520Barrier_Nov%252010%25202022%2520to%2520share.xlsx&wdOrigin=BROWSELINK), WIOA rule, WIOA Policy Letters and CCMEP rules. The Lead Agency is responsible for maintaining all documentation for audit. For the CCMEP WIOA Youth funds, the fiscal agent for the area is responsible for financial oversight of these activities. These TANF and WIOA funds will be audited at the County level for all requirements, including eligibility and payments for services based on the lead agency plan, Services Matrix, WIOA rule, WIOA Policy Letters and CCMEP rules.

When the local board procures its youth services as required under WIOA, the lead agency may submit a competitive proposal in order to potentially be selected as a CCMEP WIOA Youth provider. If the lead agency plans to submit a WIOA service provider proposal, its staff cannot be involved in the development or scoring of the Request for Proposals. Also, the local board may designate the lead agency to perform certain CCMEP WIOA Youth funded services without competitive procurement as permitted in [WIOA Policy Letter 17-03](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-03.stm).

*(Source: ODJFS website at:* [*https://jfs.ohio.gov/job-services-and-unemployment/job-services/workforce-professionals/resources/state-policy-guidance*](https://jfs.ohio.gov/job-services-and-unemployment/job-services/workforce-professionals/resources/state-policy-guidance)*)*

### Reporting

*Example SEFA and Footnote shells, the “Single Audit SEFA 2023 Completeness Guide” and additional resources are available for AOS Staff on the Intranet and for IPAs on the* [*IPA Resource Internet Page*](http://www.ohioauditor.gov/references/practiceaids.html)*.*

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 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 auditors) 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 § 200.420-200.476) 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 the auditor should look at 2 CFR Part 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 Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

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.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**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: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

*1. Activities Allowed*

a. Statewide- Administrative – *Not Applicable to LEAs*

b. Statewide- Programmatic – *Not Applicable to LEAs*

c. Local Activities- Subtitle B, Chapter 3 Adult and Dislocated Worker Employment and Training Activities – Required Activities

(1) Funds must be used at the local level to pay for career and training services through the AJC system for program participants.

(2) Basic Career Services – The following are basic career services (Sections 134(c)(2)(A)(i) through (xi), WIOA, 128 Stat. 1525 et seq., and TEGL 19-16):

(a) Eligibility determination for WIOA services.

(b) Outreach, intake, and orientation to available information and services.

(c) Initial assessment of skill levels, including literacy, numeracy, and English language proficiency, as well as aptitudes, abilities (including skills gaps), and supportive service needs.

(d) Provision of labor exchange services, including job search and placement assistance, as well as career counseling and appropriate recruitment and other business services provided by employers.

(e) Provision of referrals to and coordination of activities with other programs and services within the AJC system.

(f) Provision of workforce and labor market employment statistics and job information.

(g) Provision of performance information and program cost information on eligible training providers by program and type of provider.

(h) Providing information on local area performance.

(i) Provision of information on availability of supportive services and assistance.

(j) Provision of information and meaningful assistance to individuals seeking assistance in filing a claim for unemployment compensation.

(k) Providing assistance on financial aid eligibility for training and education programs that are not funded under the WIOA.

d. Individualized Career Services – The following are individualized career services (Section 134(c)(2)(A)(xii), WIOA, 128 Stat. 1527). These services must be provided to participants after AJC staff determine that such services are required to retain or obtain employment, consistent with statutory priorities:

(1) Comprehensive and specialized assessments of skill levels and service needs, including diagnostic testing, in-depth interviewing, and evaluation.

(2) Development of an individual employment plan.

(3) Group and/or individual counseling and mentoring.

(4) Career planning.

(5) Short-term pre-vocational services, including development of learning skills, communication skills, interviewing skills, punctuality, personal maintenance skills, and workplace behavior skills training.

(6) Internships and work experiences linked to careers.

(7) Workforce preparation activities, including basic academic skills, critical thinking skills, digital literacy skills, and self-management skills.

(8) Financial literacy services.

(9) Out-of-area job search assistance and relocation assistance.

(10) English-language acquisition and integrated education and training programs.

e. Training Services – When determined appropriate, the following training services are allowable (Section 134(c)(3)(D), WIOA, 128 Stat. 1529):

(1) Occupational skills training, including training for nontraditional employment.

(2) On-the-job-training (OJT). Employers may be reimbursed up to 50 percent, and, in some instances, 75 percent, of the wage rate of an OJT participant for the extraordinary costs of providing the training and additional supervision related to the OJT. The employer is not required to document its extraordinary costs (Section 134(c)(3)(H), WIOA, 128 Stat. 1531). Instances in which the reimbursement level may be up to 75 percent are based on the following criteria:

(a) Participant characteristics (e.g., length of unemployment, current skill level, and barriers to employment);

(b) Size of the employer;

(c) Quality of employer-provided training and advancement opportunities, and

(d) Other factors the state or local board may determine appropriate, such as number of employees participating in the training, wage and benefit levels of employees, and relation of the training to the competitiveness of the participant.

(3) Incumbent worker training (20 CFR section 680.800; Section 134(d)(4), WIOA, 128 Stat. 1535) (see III.G.3.b.(2), “Matching, Level of Effort, Earmarking – Earmarking,” for a limitation).

(4) Programs that combine workplace training with related instruction, including cooperative education programs.

(5) Training programs operated by the private sector.

(6) Skill upgrading and retraining.

(7) Entrepreneurial training.

(8) Transitional jobs, as long as they do not exceed 10 percent of the funds allocated to the local area and are consistent with the requirements of Section 134(d)(5), WIOA, 128 Stat. 1537.

(9) Job readiness training in combination with other training programs.

(10) Adult education and literacy training.

(11) Customized training (customized training is designed to meet the specific requirements of an employer. Such employers are required to pay a significant portion of the cost of the training (Section 3(14), WIOA, 128 Stat. 1431)).

f. Follow-up services – Follow-up services must be provided, as appropriate, for participants who are placed in unsubsidized employment, for up to 12 months after the first day of employment. Follow-up services may include counseling about the work place (Section 134(c)(2)(A)(xiii), WIOA, 128 Stat. 1527; TEGL 19-16, 4. *Follow-up Services*, p. 5).

g. Pay for Performance (PFP) – Pay for Performance (PFP) is a type of performance-based contract allowed under the WIOA that maximizes the likelihood that the government pays only for demonstrably effective services and may secure performance outcomes at a lower cost than might otherwise occur. Local WIOA funds set aside for PFP contract strategies remain available over an extended period, compared to the usual two-year limit for such funds, and are only paid to a service provider upon meeting certain performance outcome thresholds. If a local area opts to implement a PFP contract strategy, the contract must provide Adult and Dislocated Worker training services in WIOA Section 134(c)(3)(D) and/or Youth activities in Section 129(c)(2), as applicable. For the Adult and Dislocated Worker contract strategies, such services are the “allowable training” listed in WIOA Section 134(c)(3)(D), which includes occupational skills training, OJT, incumbent worker training, cooperative education, private sector training, skill upgrading and retraining, entrepreneurial training, transitional jobs, job readiness training, adult education and literacy activities, and customized training.

h. Subtitle B, Chapter 3 Adult and Dislocated Worker Employment and Training Activities – Other Activities. At the discretion of the state and local boards, the following services may be provided (Section 134(d), WIOA, 128 Stat. 1532 et seq.):

(1) Job seeker services, including:

(a) Customer support to enable individuals with barriers to employment to navigate among multiple services,

(b) Training programs for displaced homemakers and for individuals training for nontraditional occupations, and

(c) Work support activities for low-wage workers.

(2) Employer services, including:

(a) Customized screening and referral of individuals in career and training services to employers; and

(b) Customized employment-related services to employers, employer associations, or other organization on a fee-for- service basis, in addition to labor exchange services available to employers under the Wagner-Peyser Act; and

(c) Activities to provide business services and strategies.

(3) Coordination activities, including:

(a) Employment and training activities in coordination with child support enforcement and child support services;

(b) Employment and training activities in coordination with cooperative extension programs carried out by the US Department of Agriculture;

(c) Employment and training activities to facilitate remote access to services provided through a one-stop delivery system, including facilitating access through the use of technology;

(d) Improving coordination with economic development activities to promote entrepreneurial skills training and microenterprise services;

(e) Improving linkages with small employers;

(f) Strengthening linkages with unemployment insurance programs;

(g) Improving coordination of activities for individuals with disabilities; and

(h) Improving coordination with other federal agency supported workforce development initiatives.

(4) Implementing PFP contract strategies for training services. PFP contract strategies include only the activities listed in the definition of PFP contracting strategies at WIOA Section 3(47), such as payments for performance outcomes and independent validation of results.

(5) Technical assistance for AJCs, partners, and eligible training providers on the provision of services to individuals with disabilities.

(6) Activities for setting self-sufficiency standards for the provision of career and training services.

(7) Implementing promising services to workers and businesses.

(8) Supportive services, including needs related payments.

(9) Locating transitional jobs, which are time-limited work experiences that are subsidized and are in the public, private, or nonprofit sectors. They are for individuals with barriers to employment who are chronically unemployed or who have an inconsistent work history and are combined with comprehensive career and supportive services (Section 134(d)(5)(A), WIOA, 128 Stat. 1537).

i. Subtitle B, Youth Activities- Youth activities can provide a wide array of activities relating to employment, education, and youth development. The activities identified in Section 129(c)(2), WIOA (128 Stat. 1509 and 1510) include the following:

(1) Tutoring, study skills training, instruction and evidence-based dropout prevention and recovery strategies that lead to completion of the requirements for a secondary school diploma or its recognized equivalent (including a recognized certificate of attendance or similar document for individuals with disabilities) or for a recognized post-secondary credential;

(2) Alternative secondary school services or dropout recovery services, as appropriate;

(3) Paid and unpaid work experiences that have academic and occupational education as a component of the work experience, which may include the following types of work experiences:

(a) summer employment opportunities and other employment opportunities available throughout the school year;

(b) pre- apprenticeship programs;

(c) internships and job shadowing; and (d) OJT opportunities;

(4) Occupational skill training, which includes priority consideration for training programs that lead to recognized post-secondary credentials that align with in-demand industry sectors or occupations in the local area involved, if the local board determines that the programs meet the quality criteria described in Section 123, WIOA (128 Stat. 1498);

(5) Education offered concurrently with and in the same context as workforce preparation activities and training for a specific occupation or occupational cluster;

(6) Leadership development opportunities, including community service and peer-centered activities encouraging responsibility and other positive social and civil behaviors;

(7) Supportive services;

(8) Adult mentoring for a duration of at least 12 months that may occur both during and after program participation;

(9) Follow-up services for not less than 12 months after the completion of participation;

(10) Comprehensive guidance and counseling, which may include drug and alcohol abuse counseling and referral, as appropriate;

(11) Financial literacy education;

(12) Entrepreneurial skills training;

(13) Services that provide labor market and employment information about in-demand industry sectors or occupations available in the local area, such as career awareness, career counseling, and career exploration services; and

(14) Activities that help youth prepare for and transition to post- secondary education and training;

j. PFP contracting is an optional strategy that may be used to provide Adult and Dislocated Worker training services in WIOA Section 134(c)(3) and/or Youth activities in Section 129(c)(2), as applicable. The Youth services include training and also tutoring, work experience, supportive services, counseling, entrepreneurship, labor market information, financial literacy, and other services listed in WIOA Section 129(c)(2).

(1) A local area conducts a feasibility study or determination to identify the problem the project will address, the population that will be targeted, the services that will be provided, and the performance outcomes that will be used as criteria; and to estimate the acceptable cost to the government associated with achieving the projected performance outcomes. The state modifies its WIOA grant to set aside the funds that will be used for PFP and thus will have a longer obligation period and establishes financial controls to track this fund use at the local level. The local area begins its PFP project, including negotiating and awarding a PFP contract. The local PFP project recruits participants and provides services. An independent validator determines if the project has achieved its outcomes. The local area pays for any outcomes as named in its PFP contract. If outcomes have not been achieved, the local area does not pay for outcomes.

k. Funds allocated to a local area for eligible youth shall be used for programs that:

(1) Objectively assess academic levels, occupational skills levels, service needs (e.g., occupational, prior work experience, employability, interests, aptitudes), supportive service needs of each participant, and developmental needs of each participant, for the purpose of identifying appropriate services and career pathways;

(2) Develop service strategies that are directly linked to one or more indicators of performance of the youth program described in Section 116(b)(2)(A)(ii), WIOA, 128 Stat. 1472, and identify career pathways that include education and employment goals, appropriate achievement objectives, and the appropriate services needed to achieve the goals and objectives for each participant taking into account the assessment conducted; and

(3) Provide activities leading to the attainment of a secondary school diploma or its recognized equivalent, postsecondary education preparation, strong linkages between academic instruction and occupational education that lead to the attainment of recognized postsecondary credentials, preparation for unsubsidized employment opportunities, and effective connections to employers in in-demand industry sectors and occupations of the local and regional labor markets (Section 129(c)(1)(A)(B)(C), WIOA, 128 Stat. 1508).

l. Waivers and Workforce-Flexibility

(1) Under the secretary of labor’s general waiver authority (Adult, Dislocated Worker, and Youth Waivers), the secretary may waive statutory or regulatory requirements of the adult and youth provisions of the WIOA and sections 8 through 10 of the Wagner- Peyser Act) (29 USC 49g through 49i) (Section 189(i)(3), WIOA, 128 Stat. 1601).

(2) Under an approved Workforce Flexibility plan, a governor may be granted authority to approve requests for waivers of statutory or regulatory provisions of Title I submitted by local workforce areas (29 USC 2942; Sections 190(a)-(d), WIOA, 128 Stat.1602 et seq.).

m. WIOA, Activities Unallowed- WIOA Title I funds may not be used for the following activities, except as indicated:

(1) Construction, purchase of facilities or buildings, or other capital expenditures for improvements to land or buildings except with the prior approval of the secretary of labor. WIOA Title I funds can be used for construction only in limited situations, including meeting obligations to provide physical and programmatic accessibility and reasonable accommodations, certain repairs, renovations, alterations, and capital improvements of property, and for disaster relief projects under Section 170(d), WIOA, 128 Stat.1575, Youth Build programs under Section 171(c)(2)(A)(i), WIOA, 128 Stat. 1578, and for other projects that the secretary determines necessary to carry out the WIOA, as described under Section 189(c) of WIOA, 128 Stat. 1599.

(2) Employment-generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals, with the exception of employer outreach and job development activities, which are considered directly related to training for eligible individuals (Section 181(e), WIOA, 128 Stat. 1588).

(3) The employment or training of participants in sectarian activities. Participants shall not be employed in the construction, operation, or maintenance of a facility that is or will be used for sectarian instruction or as a place for religious worship. However, WIOA funds may be used for the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship if the organization operating the facility is part of a program or activity providing services to WIOA participants (Section 188(a)(3), WIOA, 128 Stat. 1598).

(4) Encouraging or inducing the relocation of a business or part of a business from any location in the United States if the relocation results in any employee losing his or her job at the original location (Section 181(d)(1)), WIOA, 128 Stat. 1588).

(5) Providing customized training, skill training, or OJT or company specific assessments of job applicants or employees of a business or a part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation resulted in any employee losing his or her job at the original location (Section 181(d)(2), WIOA, 128 Stat. 1588).

(6) Paying the wages of incumbent employees during their participation in economic development activities provided through a statewide workforce investment system (Section 181(b)(1), WIOA, 128 Stat. 1586).

(7) Public service employment, except to provide disaster relief employment, as specifically authorized in Section 194(10), WIOA (128 Stat.1606).

*2. Activities Unallowed*

a. Funds available to states and local areas under Subtitle B may not be used for foreign travel (29 USC 2931(e), WIOA, 128 Stat. 1588).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

Under the Department of Labor (DOL) and the Workforce Innovation and Opportunity Act (WIOA) each state is responsible for providing Rapid Response (RR) services. The Ohio Department of Job and Family Services (ODJFS) Office of Workforce Development (OWD) is the agency responsible for the administration of RR. The OWD RR Unit will oversee the program to ensure compliance with federal and state requirements. Reemployment is the expected service outcome per WIOA regulations. This outcome can be achieved with reactive as well as proactive RR. The OWD RR Unit is required to report out Ohio’s results to DOL’s Employment &Training Administration (ETA).

Ohio is committed in providing workforce solutions to business and potentially affected workers and communities throughout all phases of the business cycle. The business cycle includes the peak and decline phases, the recovery and growth phases, and everything in between.

As previously mentioned, the delivery of RR services requires two approaches: reactive and proactive. A reactive approach is when workers are impacted by an employer layoff/closure event with little to no notice. Local RR teams attempt to engage these individuals as quickly and early as possible. This increases the likelihood of achieving desired outcomes which includes retaining employment, quicker reemployment, and potentially reducing the duration of unemployment. Local RR teams can strive for a more proactive approach which can help identify workforce challenges to employers of all sizes. Layoff aversion is a proactive strategy to assist employers in developing the skilled workforce necessary to adapt to the changing economy, to stay in business, and to retain employees. In proactive RR we are also tasked with the responsibility of building relationships and networks with our employers and communities.

See [WIOAPL No. 15‐15.2](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-15-2.stm) and [WIOAPL 18-01](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-18-01.stm), Funding for Rapid Response Layoff Aversion, and [WIOAPL 15‐16.1](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-16-1.stm), Rapid Response Program Requirements‐ Layoff Aversion for additional information. These Rapid Response policies are currently under review and being updated. They will soon change.

All local Workforce Development Boards (WDBs) and OhioMeansJobs systems that have agreed to be a part of the local area rapid response service delivery system must have the following array of rapid response services available, as needed, for local employers and impacted workers:

* Preliminary steps upon notification of potential event (notification, research, initial contact, strategy meeting)
* Initial employer meeting
* Plan for services
* Rapid response worker orientation
* Additional rapid response services
* Transition to local OhioMeansJobs Center services
* Post rapid response follow-up

The above list represents the minimum services that must be readily available. A complete list of rapid response activities is found in WIOA regulations, [20 CFR 665.310](https://www.ecfr.gov/cgi-bin/text-idx?SID=295dcde6282dfcd96b5d2350acfabf43&mc=true&node=se20.4.665_1310&rgn=div8).

**Individual Training Accounts (ITA) for Youth Participants**

WIOA law permits Youth participants who meet the definition of out-of-school to receive occupational skills training through an ITA similar to Adult and Dislocated Worker participants. Occupational skills training for WIOA Youth who are in-school participants must normally be competitively procured, but Ohio received a waiver from the U.S. Department of Labor (DOL) that permits all youth to receive training using an ITA, which is a streamlined approach that permits customer choice in the decision over which school to attend.

Waiver of the 20 CFR 681.550 as noted as follows

* [WIOAPL 17-04.3](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-04-3.stm) allows local workforce development boards to use individual training accounts for in-school youth through Program Year 2023 or June 30. 2024.

*(Source: WIOAPL 15-11.3 and* [*https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-11-3.stm*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-11-3.stm)*)*

**Needs-Related Payments (NRPs) – WIOA Adult/Dislocated Worker Formula Funds**

NRPs provide financial assistance to participants for the purpose of enabling individuals to participate in training programs and are one of the supportive services authorized by WIOA section 134(d)(3). Federal regulations require that payments must be based on financial need.

Adult/Dislocated Worker formula funded NRPs are an allowable support service where authorized by local workforce development boards (WDB). It is a local WDB decision to allow or prohibit the payment of NRPs. The local WDB supportive service policy must indicate whether or not NRPs are available to eligible participants. In practice, NRPs are rarely offered due to the high cost and administrative burden.

Additionally, local WDBs offering NRPs must develop a NRP policy to include language requiring the participant to report the inability to participate due to unforeseen circumstances. Also, the policy must include the payment level determined for adults and dislocated workers.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter (WIOAPL) 15-14.1*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-14-1.stm)*.)*

**Incumbent Worker Training (IWT) with Local Formula Funds**

Incumbent worker training (IWT) is one type of work-based training model and is designed to either assist workers in obtaining the skills necessary to retain employment or to avert layoffs and must increase both a participant's and a company's competitiveness. Local workforce development areas may ***use up to 20 percent of their local*** adult and dislocated worker formula funds for incumbent worker training. The training should, wherever possible, allow the participant to gain industry-recognized training experience.

IWT is a business service designed to develop a highly skilled workforce which will result in increased business financial viability, stability, competitiveness, and productivity. To avert the risk of closing, IWT may be developed with a business or business association to maintain their competitive status, incorporate new technology, or prevent downsizing.

Workers participating in IWT will benefit by enhancing existing skills, learning new skills, and earning employer or industry recognized credentials, in addition to retaining employment, maintain their careers, and/or increasing their earnings potential. IWT will also allow the opportunity for backfilling vacated positions resulting from the promotion of new trained workers.

Local workforce development boards (WDB) have several options when determining how best to serve eligible employers. A WDB can arrange training using the traditional array of individualized career services and training services. Local WDBs and planning regions may also implement innovative training strategies that best meet the needs of the business community.

Allowable costs may include only costs directly related to training:

* instructor / trainer salaries
* curriculum development, textbooks, manuals, training software, materials and non-consumables
* training facility costs (off-site training)
* other necessary and reasonable costs directly related to training

Unallowable costs include but are not limited to:

* foreign travel
* purchase or lease of capital equipment
* encouragement or inducement of a business or part of a business to relocate from any location in the United States,
* use of IWT funds to pay for a worker's training wages

IWT funds may be used to train employees in management skills such as Six Sigma and LEAN if promotional opportunities or increased wages can be identified post training. IWT funds may not be used for LEAN or Six Sigma training for the purpose of layoff aversion.

IWT funds may not be used to reimburse training costs that are being reimbursed by another State or Federal training program.

IWT is restricted to skill attainment activities. The training should benefit workers by making them more qualified in their line of business and or/by provide them with skills for new products or processes. It is desired that the training results in credentials or industry recognizable skills that promote the worker’s career and increases the overall employability.

*Eligibility for Participating Businesses*

IWT is one of many business services offered through local workforce development boards (WDB). The criteria which the WDB must consider for an employer to be eligible to receive local incumbent worker funds include:

1. The characteristics of the participants in the program;
2. The relationship of the training to the competitiveness of a participant and the employer; and

3. Other factors the WDB determines appropriate, including number of employees trained, wages and benefits including post training increases, and the existence of other training opportunities provided by the employer.

There are also businesses that should not participate in this activity due to past or current violations of local, state, or federal law; unfair labor practices; and other conditions identified during the course of conducting initial employer assessments and reviewing contract requirements, assurances, and certifications with the local WDB director or staff. Businesses that fail to meet any of the following qualifying criteria are not eligible to receive funds for incumbent worker training:

1. Businesses must not be presently debarred, suspended, proposed for disbarment, declared ineligible, or voluntarily excluded from participation in transactions by USDOL or the state of Ohio. Below are three websites that may be helpful in checking tax, environmental compliance, and debarment status.

Federal Exclusion and Debarment Site: [http://www.sam.gov](http://www.sam.gov/)

Ohio Department of Taxation: [http://www.tax.ohio.gov](http://www.tax.ohio.gov/)

Business Filing Search: [http://www.sos.state.oh.us](http://www.sos.state.oh.us/)

1. Businesses shall not have any outstanding tax liability to the state of Ohio for over six months. WDBs will require the businesses to disclose any known outstanding tax liabilities with other states prior to entering contract. The local WDB may consider existing out-of-state violations when determining eligibility to receive incumbent worker training funds. The local WDB must document any resolution of outstanding tax liability, which may include letters from the business or from the State from which the tax liability occurred.
2. Businesses must ensure that they are not on the most recent list established by the Ohio Secretary of State that would identify them as having more than one unfair labor practice contempt of court finding.
3. Ohio businesses must have all of the approvals, licenses, or other qualifications needed to conduct business in the state and all must be current. Should this status change during the local IWT program activities and the business is disqualified from conducting business in Ohio, all training under the IWT program must cease.
4. Governmental entities, including the city, county and state, may not participate in the local IWT program. Health care providers that are operating as not-for-profit entities are the only allowable exceptions to this prohibition.
5. Businesses that have relocated to Ohio and have laid-off workers at their former location in the United States may not be considered for this program until they have been in operation at the new location for 120 days. To verify that a business is not relocating employment from another area, a pre-award review must be undertaken and documented by the local WDB. The review must include the names under which the establishment conducts business, including predecessors and successors in interest; the name, title, and address of the company official certifying the information, and whether WIOA assistance is being sought in connection with past or impending job losses at other facilities of their company. The pre-award review should also include a review of whether appropriate notices have been filed, as required by the Worker Adjustment Retraining Notification (WARN) Act. The review may also include consultations with labor organizations and others in the affected local area(s).
6. Businesses must not have any outstanding civil, criminal, or administrative fines or penalties owed to or pending in the state of Ohio.

*Training Provider Considerations*

Incumbent worker training may be provided through ITAs or through contracts for services. If the training is provided through an ITA, all requirements of such ITA must be followed, including the use of approved eligible training providers. If a contract is used to provide the IWT, this contract must have been established through proper procurement procedures.

Training providers without satisfactory past performance, accreditation, curricula that lead to credentials, relevant training experience, accredited instructors, high job placement rates, and/or high training completion rates, should be avoided.

Training may be conducted at the employer’s own facility, at a public or private training provider’s facility, online, or at a combination of sites that best meet the needs of the employer and trainees. The training facility should provide an environment that supports learning and be within reasonable proximity to the trainees, so the cost and time required for travel is minimized.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-23.2*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-23-2.stm)*)*

**Salary and Bonus Limitations**

Public Law 113-128 section 194(15), adopted July 22, 2014, limits the salary and bonus payments to individuals from funds appropriated to the ETA.

The limit for salary and bonus payments to individuals funded from any ETA program, grant or contract is set at the rate of the level II of the Executive Schedule under section 5313 of title 5, United States Code. A salary table providing this rate is listed on the Federal Office of Personnel Management Web site: [www.opm.gov](http://www.opm.gov/). These levels and the website are revised annually. The [2023 pay tables for Executive and Senior Level Employees](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2023/executive-senior-level) are available. The sum of all bonuses received over the previous 12-month period when added to the employee’s salary may not at any time exceed this limitation.

For example, an employee paid at a rate of $162,000 may not receive bonuses in any 12-month period that exceeds $3,200, assuming the limitation of $183,300. If an individual works part time, let’s say 60% of the time on any program funded by the ETA, then his/her salary and bonus payments may not be more than 60% of the Executive Level II, or $109,980.

Public Law 113-128 section 194(15) affects recipients, sub-recipients, contractors, and sub-contractors, but it does not apply to vendors providing goods and services as defined by the Uniform Guidance. The determination of whether an organization is a sub-recipient or a vendor is based on the substance of the relationship as defined by the Uniform Guidance.

*(Source:* [*GPO Public Law 113-128 Section 194*](https://www.gpo.gov/fdsys/pkg/PLAW-113publ128/pdf/PLAW-113publ128.pdf)*)*

**Customized Training**

Customized training is one of several types of allowable training identified in Section 134 (c)(3)(D) of WIOA. This training may be offered to individuals under local area formula-funded programs or as a type of incumbent worker training. As a type of training offered in local formula-funded programs, participants must meet all adult or dislocated worker eligibility requirements prior to the start of customized training.

Overall, customized training is training designed to meet the needs of a specific employer, or group of employers (employer consortiums). It may be provided for the introduction of new technologies, new production or service procedures, upgrading existing skills, or other appropriate purposes identified by the local WDB. The employer must commit to employ, or continue to employ, the worker(s) upon successful completion of any form of customized training. As with all training services, the customized training must enable individuals to obtain industry or employer-recognized skills.

Customized training may be provided through individual training accounts (ITAs) or through contracts for services. If the training is provided through an ITA, all requirements of such ITA must be followed, including the use of approved eligible training providers. If a contract is used to provide customized training, this contract must have been established through proper procurement procedures.

A local WDB must not enter into a customized training agreement with an employer who has exhibited a pattern of failing to retain individuals after successful completion of the customized training.

Businesses that fail to meet any of the following qualifying criteria are not eligible to receive funds for customized training:

1-7 in Layoff Aversion section above—see pgs. 31-32; Businesses that have employees in a lay-off status should not be considered for customized training unless the training would avert additional layoffs.

Training for customized training will address:

1. Occupations in industries that have documented skill shortages. Careers on the State’s in-demand list, high wages, high costs for recruitment, and/or positions that remain unfilled for long periods of time may indicate a shortage of skills within the workforce; and
2. Developing the skills of the workforce to lead to enhanced career pathways for individual employees.

Training providers should have satisfactory past performance, accreditation, curricula that lead to credentials, relevant training experience and programs, accredited instructors, high job placement rates, and/or high training completion rates. Training providers should also meet acceptable minimum retention rates for trainees in their field or occupation of training.

The training facility should provide an environment that supports learning and be within reasonable proximity to the participant. The training may take place in the business owned facility, a training provider’s facility, or combination of sites.

Allowable and Unallowable Costs for Customized Training

Allowable costs may include only costs directly related to training. Examples of allowable costs include, but are not limited to the following:

1. Instructor’s / trainer’s training-related wages;
2. Curriculum development; and
3. Textbooks, instructional equipment, manuals, materials and supplies.

Unallowable costs include but are not limited to:

1. Trainees’ benefits/fringes;
2. Wages of trainees while attending customized training;
3. Costs not directly related to customized training for eligible individuals under Title I;
4. Foreign travel; and/or
5. Purchase of capital equipment.

Employer Match Requirements

The local WDB and the planning region determine the significant cost of the customized training for which the employer must pay, as well as the amount for which the employer will be reimbursed (or matched). Also, local WDBs and the planning region decide if the employer match is cash or in-kind. In-kind match must benefit the training and must be documented. Also, the employer match cannot include federal, state, or other grant funds.

Step 1 is to identify the individual training items and establish the total training budget. This budget may include trainee wages while attending training and the wages can count for the employer match. But, the WIOA costs cannot include trainee wages.

Step 2 is to calculate the employer match and the WIOA cost. This calculation varies based upon allowable and unallowable WIOA costs. Typically, the variable is the trainee wages.

If trainee wages are less than or equal to the employer match, an adjustment is not necessary. Just multiply the total budget by the selected percentage to establish the employer and WIOA expense.

If trainee wages are greater than the employer match, an adjustment is necessary to prevent unallowable WIOA costs. When calculating the employer match and the WIOA costs, subtract the excess wages over selected percentage.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-24*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-24.stm) *Customized Training Guidelines from March 23, 2016)*

WIOA Section 134(c)(3)(B)(i) and 20 CFR 680.210(c) require that training services be limited to individuals who are unable to obtain other grant assistance for such services, including Federal Pell Grants or require assistance beyond the assistance made available under other grant assistance programs, including Federal Pell Grants.

**What Workforce Innovation and Opportunity Act title I functions and activities constitute the costs of administration subject to the administrative cost limitation?**

1. The costs of administration are expenditures incurred by State and Local WDBs, Regions, direct grant recipients, including State grant recipients under subtitle B of title I of WIOA, and recipients of awards under subtitle D of title I, as well as local grant recipients, local grant subrecipients, local fiscal agents and one-stop operators that are associated with those specific functions identified in paragraph (b) of this section and which are not related to the direct provision of workforce investment services, including services to participants and employers. These costs can be both personnel and non-personnel and both direct and indirect

According to WIOA regulations at 20 CFR 683.215(c)(1), awards to a sub-recipient or contractor that are solely for the performance of administrative costs are classified as administrative costs. Per paragraph (c)(4) of this section, the costs of all other sub-recipients and contractors at the local area level are classified as program costs. Therefore, most local areas do not pass any administrative dollars to sub-recipients because most sub-recipients incur only programmatic expenses by definition.

**(b)** The costs of administration are the costs associated with performing the following functions:

**(1)** Performing the following overall general administrative functions and coordination of those functions under title I of WIOA:

**(i)** Accounting, budgeting, financial and cash management functions;

**(ii)** Procurement and purchasing functions;

**(iii)** Property management functions;

**(iv)** Personnel management functions;

**(v)** Payroll functions;

**(vi)** Coordinating the resolution of findings arising from audits, reviews, investigations, and incident reports;

**(vii)** Audit functions;

**(viii)** General legal services functions;

**(ix)** Developing systems and procedures, including information systems, required for these administrative functions; and

**(x)** Fiscal agent responsibilities;

**(2)** Performing oversight and monitoring responsibilities related to WIOA administrative functions;

**(3)** Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;

**(4)** Travel costs incurred for official business in carrying out administrative activities; and

**(5)** Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting, and payroll systems) including the purchase, systems development, and operating costs of such systems.

**(c)**

**(1)** Awards to subrecipients or contractors that are solely for the performance of administrative functions are classified as administrative costs.

**(2)** Personnel and related non-personnel costs of staff that perform both administrative functions specified in paragraph (b) of this section and programmatic services or activities must be allocated as administrative or program costs to the benefitting cost objectives/categories.

**(3)** Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained.

**(4)** Except as provided at paragraph (c)(1) of this section, all costs incurred for functions and activities of subrecipients, other than those subrecipients listed in paragraph (a) of this section, and contractors are program costs.

**(5)** Continuous improvement activities are charged to administration or program category based on the purpose or nature of the activity to be improved. Documentation of such charges must be maintained.

**(6)** Costs of the following information systems including the purchase, systems development, and operational costs (***e.g.,*** data entry) are charged to the program category:

**(i)** Tracking or monitoring of participant and performance information;

**(ii)** Employment statistics information, including job listing information, job skills information, and demand occupation information;

**(iii)** Performance and program cost information on eligible training providers, youth activities, and appropriate education activities;

**(iv)** Local area performance information; and

**(v)** Information relating to supportive services and unemployment insurance claims for program participants.

**(d)** Where possible, entities identified in paragraph (a) of this section must make efforts to streamline the services in paragraphs (b)(1) through (5) of this section to reduce administrative costs by minimizing duplication and effectively using information technology to improve services.

*(Source:**[20 CFR 683.215)](https://www.ecfr.gov/current/title-20/chapter-V/part-683/subpart-B/section-683.215)*

**County Random Moment Sampling (RMS)**

***The following guidance applies only to counties receiving WIOA and allocating costs to the workforce (WFRMS) pool using RMS.***

Indirect costs related to WIOA are allocated to the WIOA program via the Workforce RMS cost pool. [OAC 5101:9-7-20](http://codes.ohio.gov/oac/5101:9-7-20v1) Income maintenance, workforce, social services, and child welfare random moment sample (RMS) time studies.

• Per this OAC code, the income maintenance random moment sample (IMRMS), workforce random moment sample (WFRMS), social services random moment sample (SSRMS), and child welfare random moment sample (CWRMS) time studies are designed to measure county staff activity regarding various programs. The RMS studies are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person 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 (CFIS Web CR 520) financial statements.

County expenditures primarily consist of administrative expenses, most of which are captured through the RMS process discussed above; however, there may be non-RMS related expenditures 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.

Counties also 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 (e.g., IM, SS, CS). Random Moment Sampling (RMS) statistics are used to allocate the expenditures in each of the separate program (IM, SS, CS, WF) 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. 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 2 CFR 200.465. 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.

For specific questions on the RMS process, there are an RMS manual (dated 10/2020) and WIOA RMS Codes available.

*(Source: ODJFS Office of Fiscal & Monitoring Services)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
2. Determine whether Federal awards were expended only for allowable activities.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. 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 Substantive Audit Procedures – Compliance

|  |
| --- |
| Consider the results of control testing above 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.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.  *Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*  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. |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   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

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII 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.

*(Source: 2023 OMB Compliance Supplement Part 3)*

*FACCR Section B includes five distinct testing sections, the first of which is always applicable.*

1. *Cost Principles for States, Local Governments, and Indian Tribes – testing guidance and steps included in FACCR, not separate testing document.*

*Auditors* ***must*** *evaluate if additional section(s) are applicable to their Entity, including sources reviewed to verify applicability. For additional sections, auditors must pull the testing section(s) into their working papers and test accordingly.*

*Additional testing sections are located* [***here***](https://ohauditor.sharepoint.com/sites/Intranet/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x0120002FFBFB1F4A3C3F47AE37C7A44E1C1EDE&id=%2Fsites%2FIntranet%2FShared%20Documents%2FAudit%5FResources%2FFederal%2FFACCRs%20and%20IRAFs%2F2023%2FSection%20B%20Addenda&viewid=68cb3ab2%2D567e%2D456a%2D975c%2Da88f3e9c3727)*for AOS auditors and* [***here***](https://ohioauditor.gov/references/practiceaids/faccrs.html) *for IPA auditors.*

1. *De Minimis Indirect Cost Rate*
   1. *This section must be tested if the Entity utilizes the de minimis indirect cost rate to charge indirect costs to the grant, whether as a recipient or subrecipient.*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**
2. *Allowable Costs – State/Local Government-wide Central Service Costs*
   1. *This section must be tested if the Entity allocated costs to the grant using central service cost allocation plans (CAPs).*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**
3. *Allowable Costs – State Public Assistance Agency Costs*
   1. *This section must be tested if the Entity charged state public assistance agency costs to the grant.* 
      1. *State public assistance agency costs are defined as (1) all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for service and goods provided directly to program recipients and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP).*
      2. *This may be applicable at the local level if local entities perform procedures to support the State compliance (For example, this may occur with JFS programs)*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**
4. *Cost Principles for Nonprofit Organizations* 
   1. *This section must be tested if the Entity is a nonprofit organization.*
   2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
   3. *If applicable, testing documents:* **Link to testing documents**

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). 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 § 200.420-200.476) 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 the auditor should look at 2 CFR Part 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 Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

*The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of the Federal award contracts or grant agreements pertaining to the program.*

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

1. States, local governments and Indian tribes
2. Institutions of higher education (IHEs)
3. Nonprofit organizations

As provided in 2 CFR 200.101, 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 2 CFR 200.101(e) (see Appendix I 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](45_CFR_Part_75.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 2 CFR Part 200, Subpart E, 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 2 CFR Part 200, Appendices III-VII 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: 2023 OMB Compliance Supplement Part 3)*

**Basic Guidelines**

Except where otherwise authorized by statute, costs 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 2 CFR Part 200, Subpart E.

2. Conform 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.

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**

2 CFR 200.420 - 200.476 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 2 CFR 200.402 - 200.411.

[List of Selected Items of Cost Contained in 2 CFR Part 200](Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

No Part 4 OMB Program Specific Requirements

***Written Procedure Requirements:***

*2 CFR 200.302(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.*

*2 CFR 200.430 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.*

*2 CFR 200.431 requires established written leave policies if the entity intends to pay fringe benefits.*

*2 CFR 200.464(a)(2) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.*

*2 CFR 200.475 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.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

***Allowable costs and cost principles.***

(1) Recipients and subrecipients of a Federal award under title I of WIOA and the Wagner-Peyser Act must follow the cost principles at subpart E and appendices III through IX of [2 CFR part 200](2_CFR_Part_200.pdf), including any exceptions identified by the Department at [2 CFR part 2900](https://www.ecfr.gov/current/title-2/part-2900).

(2) Unless specified in the grant agreement, for those items requiring prior approval in the Uniform Guidance (*e.g.,* selected items of cost, budget realignment), the authority to grant or deny approval is delegated to the Governor for programs funded under sec. 127 or 132 of WIOA or under the Wagner-Peyser Act.

(3) Costs of workforce councils, advisory councils, Native American Employment and Training Councils, and Local WDB committees established under title I of WIOA are allowable.

*(Source:* [*20 CFR 683.200*](https://www.ecfr.gov/current/title-20/chapter-V/part-683/subpart-B/section-683.200)*)*

**Rule 5101:9-1-18 | Federal grant cost principles for county family services agency (CFSA) and Workforce Innovation and Opportunity Act (WIOA) local areas.**

(A) Cost principles, as outlined in 2 C.F.R. 200 subpart E, communicate the general criteria to determine when a cost is allowable to claim as a direct or an allocable indirect cost to a federal grant. The following basic criteria assists in determining allowable costs. For more detailed information go to [2 CFR Part 200 Subpart E](2_CFR_Part_200.pdf).

(1) Reasonable:

(a) The cost amount does not exceed that which would be incurred by a prudent person under similar circumstances; and

(b) The cost is comparable to prices for goods or services within the geographic area.

(2) Necessary:

(a) The cost is necessary for the purposes and performance of the federal grant; and

(b) The cost is generally recognized as ordinary and necessary for the operation of the CFSA or WIOA local area and does not significantly deviate from the locally established cost practices and policies.

(3) Composition and consistent treatment of costs:

(a) A cost may not be charged to a federal grant 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.

(b) Direct costs are costs that are charged directly to a federal grant.

(c) Indirect costs are costs which accumulate and allocate to open federal grants that are not in liquidation. Indirect costs are also known as cost pool costs, operating costs, and cost objectives.

(d) Applicable credits.

(4) Allocable:

(a) Allocation is the process of assigning accumulated indirect costs to federal grants.

(b) An indirect cost is allocable to a federal grant in accordance with the relative benefit received based on the allocation methodology.

(B) According to the CFSA and WIOA local area subgrant agreements, as outlined in rules [5101:9-6-02](https://codes.ohio.gov/ohio-administrative-code/rule-5101:9-6-02) and [5101:9-31-01](https://codes.ohio.gov/ohio-administrative-code/rule-5101:9-31-01) of the Administrative Code, each CFSA and WIOA local area will ensure costs are claimed for the intended purposes of federal grants.

(C) Each CFSA and WIOA local area will maintain written procedures for determining the allowability of costs.

*(Source:* [*Rule 5101:9-1-18 - Ohio Administrative Code*](https://codes.ohio.gov/ohio-administrative-code/rule-5101:9-1-18)*)*

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

### OMB Compliance Requirements

**Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

**Indirect Costs**

*Allocation of Indirect Costs and Determination of Indirect Cost Rates*

1. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
   1. *Simplified Method* – This method is applicable where a governmental unit’s department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in 2 CFR Part 200, Appendix VII, paragraph C.2.
   2. *Multiple Allocation Base Method* – This method is applicable where a governmental unit’s department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to 2 CFR Part 200, Appendix VII, paragraph C.3.)
   3. *Special Indirect Cost Rates* – In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs (e.g., the physical location of the work, the nature of the facilities, or level of administrative support required). (For the requirements for a separate indirect cost rate, refer to 2 CFR Part 200, Appendix VII, paragraph C.4.)
   4. *Cost Allocation Plans* – In certain cases, the cognizant agency for indirect costs may require a state or local government o unit’s department or agency to prepare a CAP instead of an ICRP. These are infrequently occurring cases in which the nature of the department or agency’s federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in0 such cases consists of narrative descriptions of the methods the department or agency uses to allocate indirect costs to programs, awards, or other cost objectives. Like an ICRP, the CAP either must be submitted to the cognizant agency for indirect cost for review, negotiation, and approval, or retained on file for inspection during audits.

*Submission Requirements*

1. Submission requirements are identified in 2 CFR Part 200, Appendix VII, paragraph D.1. All departments or agencies of a governmental unit claiming indirect costs under federal awards must prepare an ICRP and related documentation to support those costs.
2. A state/local department or agency or Indian tribe that receives more than $35 million in direct federal funding must submit its ICRP to its cognizant agency for indirect costs. Other state/local government departments or agencies that are not required to submit a proposal to the cognizant agency for indirect costs must develop an ICRP in accordance with the requirements of 2 CFR Part 200 and maintain the proposal and related supporting documentation for audit.
3. Where a government receives funds as a subrecipient only, the pass-through entity will be responsible for the indirect cost rate used (2 CFR section 200.331(a)(4)).
4. Each Indian tribe desiring reimbursement of indirect costs must submit its ICRP to the DOI (its cognizant agency for indirect costs).
5. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in 2 CFR Part 200, Appendix VII, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 2 CFR section 200.333(f).

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, 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 2 CFR 200.1\_Cognizant\_Agency.

For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally 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: 2023 OMB Compliance Supplement Part 3)*

#### Audit Objectives 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 2 CFR Part 200, Subpart E.

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 2 CFR Part 200, Appendix VII, paragraph B).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

**Audit Objectives: Direct Costs**

1. Determine whether the organization complied with the provisions of 2 CFR Part 200 as follows:
2. Direct charges to federal awards were for allowable costs.
3. Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

**Audit Objectives: Indirect Costs**

1. Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. The methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs (e.g., all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs).
4. Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA).
5. For State/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than $35 million in direct Federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***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 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
  + *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
  + *2 CFR 200.430 for allowability of compensation costs.*
  + *2 CFR 200.431 for written leave policies.*
  + *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
  + *2 CFR 200.475 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 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
  + *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.*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. 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 Substantive Audit Procedures – Compliance – Direct and Indirect Costs

|  |
| --- |
| Consider the results of control testing above 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.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  ***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 2 CFR 200.407 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 2 CFR Part 200, Subpart E.  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.  *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 2 CFR 200.430.*  *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*  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 2 CFR 200.402 - 200.411.  (b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).  *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 2 CFR 200.430.*  *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*  (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_the_ICRP_discussion.pdf)*)*  (1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.  (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 2 CFR Part 200, Subpart E:  (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 2 CFR 200.430 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. When 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. |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*  ***This box should include results of applicable additional testing sections as determined at the beginning of Section B.***   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

### OMB Compliance Requirements

The specific requirements for eligibility are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in the Supplement, these specific requirements are in Part 4, “Agency Program Requirements,” or Part 5, “Clusters of Programs,” as applicable. This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program and the amounts for which they qualify.

**Source of Governing Requirements**

The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Eligibility for Individuals**

a. All Programs

Selective Service – Participants between the ages of 18 and 26 need to register with the Military Selective Service, Section 3 (50 USC App. 453)) Such registration is also required by Section 189 (h), WIOA 113-128.

b. All Subtitle B Statewide and Local Programs

(1) An adult must be 18 years of age or older (Section 3(2), WIOA, 128 Stat. 1429).

(2) A dislocated worker means an individual who meets the definition in Section 3(15), WIOA, 128 Stat. 1431).

(3) A dislocated homemaker means an individual who meets the definition in Section 3(16), WIOA, 128 Stat. 1432).

(4) An in-school youth and an out-of-school youth are eligible to participate in workforce investment activities if they meet the definition in Section 129(a)(1)(B) and (C), WIOA, 128 Stat. 1504 et seq.

c. Subtitle B Youth Activities

A person is eligible to receive services under Youth Activities if they are an out-of-school youth or an in-school youth (Section 129(a)(1), WIOA, 128 Stat. 1504).

(1) An “out-of-school youth” is an individual who is:

(a) Not attending any school (as defined under state law);

(b) Not younger than 16 or older than age 24 at time of enrollment. (Because age eligibility is based on age at enrollment, participants may continue to receive services beyond the age of 24 once they are enrolled in the program); and

(c) One or more of the following:

(i) A school dropout;

(ii) A youth who is within the age of compulsory school attendance, but has not attended school for at least the most recent complete school year calendar quarter (school year calendar quarter is based on how a local school district defines its school year quarters); in cases where schools do not use school year quarters, local programs must use calendar year quarters);

(iii) A recipient of a secondary school diploma or its recognized equivalent who is a low-income individual and is either basic skills deficient or an English language learner;

(d) An offender;

(e) A homeless individual, aged 16 to 24 who meets the criteria defined in Section 41403(6) of the Violence Against Women Act of 1994 (42 USC 14043e–2(6)), a homeless child or youth aged 16 to 24 who meets the criteria defined in Section 725(2) of the McKinney-Vento Homeless Assistance Act (42 USC 11434a(2)) or a runaway;

(f) An individual in foster care or who has aged out of the foster care system or who has attained 16 years of age and left foster care for kinship guardianship or adoption, a child eligible for assistance under Section 477 of the Social Security Act (42 USC 677), or in an out-of-home placement;

(g) An individual who is pregnant or parenting;

(h) An individual with a disability;

(i) A low-income individual who requires additional assistance to enter or complete an educational program or to secure or hold employment (Sections 3(46) and 129(a)(1)(B), WIOA, 128 Stat. 1437 and 1504).

(2) An “in-school youth” is an individual who is:

(a) Attending school (as defined by state law);

(b) Not younger than age 14 or (unless an individual with a disability who is attending school under state law) older than age 21;

(c) A low-income individual; and

(d) One or more of the following:

(i) Basic skills deficient;

(ii) An English language learner;

(iii) An offender;

(iv) A homeless individual, aged 14 to 21 who meets the criteria in Section 41403(6) of the Violence Against Women Act of 1994 (42 USC 14043e–2(6)), a homeless child or youth aged 14 to 21 who meets the criteria in Section 725(2) of the McKinney- Vento Homeless Assistance Act (42 USC 11434a(2)), or a runaway;

(v) An individual in foster care or who has aged out of the foster care system or who has attained 16 years of age and left foster care for kinship guardianship or adoption, a child eligible for assistance under Section 477 of the Social Security Act (42 USC 677), or in an out-of-home placement;

(vi) An individual who is pregnant or parenting;

(vii) An individual with a disability;

(viii) An individual who requires additional assistance to complete an educational program or to secure or hold employment (sections 3(27) and 129(a)(1)(C), WIOA, 128 Stat. 1435 and 1505).

**2. Eligibility for Group of Individuals or Area of Service Delivery** – Not Applicable

**3. Eligibility for Subrecipients** – Not Applicable

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

*The local area providers are permitted to establish their own eligibility criteria (which must be consistent with the Federal program criteria but can sometimes be more specific/restrictive) based upon the need in their local area. Auditors must obtain a copy of the local area’s eligibility criteria and incorporate any significant requirements into this section of the FACCR and test accordingly.*

Workforce service providers (WSPs), local areas, career services providers, youth program providers, and CCMEP lead agencies must verify or confirm eligibility requirements through an examination of documents or by using one or more of the additional methods of source documentation.

Documentation requirements to support WIOA adult and dislocated worker eligibility are tied to the level of services provided to the participant. For adults and dislocated workers receiving only basic career services which do not trigger participation in the WIOA program, the local area may accept information provided by these reportable individuals at face value to complete the basic intake process without requiring source documentation.

Documentation requirements increase for participants who receive basic career services triggering participation, individualized career services, or training services. Definitions and examples of basic career services and individualized career services are contained in [Workforce Innovation and Opportunity Act Policy Letter (WIOAPL) No. 15-08.1](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-08-1.stm), Career Services for Adults and Dislocated Workers.

CCMEP WIOA youth program eligibility documentation does not vary between types of services or program elements received.

See Allowable Source Documentation for WIOA Program Eligibility and the [WIOAPL 15-07.3](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-07-3.stm) for additional methods local areas may use. Also see the [Allowable Source Documentation Chart](https://jfs.ohio.gov/static/owd/WorkforceProf/Docs/SourceDocumentationChart.pdf).

*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-07.3 Source Documentation for WIOA Title I Program Eligibility)*

**Poverty Income Guidelines and Lower Living Standard Income Level tables**

The poverty income guidelines and lower living standard income level (LLSIL) may be used, in addition to several other measures, to determine if a Workforce Innovation and Opportunity Act (WIOA) applicant or participant meets the definition of low-income individual. In-school youth -- and out-of-school youth with certain barriers defined in WIOA -- must be low-income individuals (except for up to five percent of the youth otherwise required to be low-income individuals who may be served by the local area even though they are not low-income.)

For the adult program, low-income individuals must receive priority status (along with recipients of public assistance and individuals who are basic skills deficient) for individualized career services and for training services.

For purposes of youth program eligibility and adult service priority, individuals meet the definition of low-income if their family income does not exceed the poverty line, or 70 percent of the LLSIL, whichever is greater for that family size.

The poverty line and LLSIL are issued at separate time frames and by different federal agencies. The United States Department of Health and Human Services (HHS) is responsible for the federal poverty line and historically revises the standards during the first quarter of the calendar year. The United States Department of Labor (DOL) determines and releases the LLSIL for Title I of WIOA during the second quarter of the calendar year. The revised poverty line and LLSIL are communicated annually by the Office of Workforce Development, Ohio Department of Job and Family Services, to the local workforce development boards.

When both income tables have been revised at the federal level, the tables listing the poverty line and 70% of the LLSIL for each family size will be updated in the Ohio’s Workforce Case Management System (ARIES) for income-based eligibility determinations. When the income tables have been updated, notification will be sent via e-mail to the local workforce development boards and OhioMeansJobs center operators.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-19.1*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-19-1.stm) *Poverty Income Guidelines and Lower Living Standard Income Level from June 28, 2018 and* [*2023 Poverty Income Chart*](https://jfs.ohio.gov/static/owd/WorkforceProf/Docs/FPGLLSIL.pdf)*)*

The Poverty Income Guidelines are available online.

*(Source:* [*https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines*](https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines)*.)*

**Individual Training Accounts (ITA) details can be found in** [WIOAPL 15-11.3](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-11-3.stm)**.**

*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-11.3)*

Waiver of the 20 CFR 681.550 as noted in [WIOAPL 17-04-3](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-04-3.stm) allows local workforce development boards to use individual training accounts for in-school youth through Program Year 2023 or June 30. 2024.

**Training Services for Adult and Dislocated Workers**

The Workforce Innovation and Opportunity Act (WIOA) program is designed to provide employment and training opportunities to those who can benefit from, and who are in need of such opportunities. Training services can be critical to the employment success of many adults and dislocated workers. As there is no sequence of services, WIOA staff may determine training services are appropriate, regardless of whether the individual has received basic or individualized career services first.

Under WIOA, training services may be provided if the WIOA staff, including staff from partner programs at the American Job Center (which in Ohio is called OhioMeansJobs center), determines, after conducting an interview, evaluation, or assessment, and career planning, that the individual:

* 1. Unlikely or unable to obtain or retain employment;
  2. Needs training services to obtain or retain employment;
  3. Has skills and qualifications to successfully participate in the selected program of training services;
  4. Is unable to obtain grant assistance from other sources (for example, Federal Pell Grants, Temporary Assistance for Needy Families (TANF), and State-funded training funds) to pay the costs of such training, or requires WIOA assistance in addition to other sources;
  5. Is a member of a worker group covered under a petition for Trade Adjustment Assistance (TAA) and is awaiting a determination;
  6. Is determined eligible and a member of a priority population if training services are provided through the WIOA adult program; and/or
  7. Selects a program of training services that is directly linked to a state in-demand occupation.

Detailed information regarding training services, Individual training accounts, training providers, and apprenticeship programs can be found in [WIOAPL 15.09.1](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-09-1.stm).

[WIOAPL 15.09.1](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-09-1.stm) also contains requirements for Local Areas, reporting requirements and monitoring.

*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter N0. 15-09.1 Training Services for Adults and Dislocated Workers from January 8, 2018)*

**Needs-Related Payments (NRPs)**

NRPs provide financial assistance to participants for the purpose of enabling individuals to participate in training programs and are one of the supportive services authorized by section 134 (d)(3) of the WIOA. Federal regulations require that payments must be based on financial need.

*Eligibility for Needs-Related Payments*

Receiving needs-related payments is not an entitlement for eligible participants.

*Adult Eligibility*

To be eligible for NRPs, an Adult must:

1. Be unemployed;

2. Be ineligible for or have ceased to qualify for Unemployment Compensation (UC); and,

3. Be enrolled in a program of training services under WIOA, section 134(c) (3).

*Dislocated Worker Eligibility*

To be eligible for NRPs, a Dislocated Worker must:

1. Be unemployed.

2. Be ineligible for or ceased to qualify for UC or TRA; and

3. Be enrolled in a program of training services under section 134(c)(3) of WIOA within the timeframes described below.

The dislocated worker must be in a program of training services by the end of the 13th week after the most recent layoff that resulted in a determination of the worker's eligibility as a dislocated worker, or, if later, by the end of the 8th week after the worker is informed that a short-term layoff will exceed 6 months.

If, due to the lack of funds in the State or local area at the time of a dislocation, unemployed individuals served by a project are not able to meet the 13th or 8th week deadline for enrollment in training, as set forth in section 134 (d)(3)(B) of the WIOA, then such individuals may be eligible for needs-related payments if they are enrolled in training by the end of the 6th week following the date of the funds award.

*WDB Policy Requirements*

NRPs are an allowable supportive service where authorized by the local workforce development boards. It is a local WDB decision to allow or prohibit the payment of NRPs. The local WDB supportive service policy must indicate whether or not NRPs are available to eligible participants.

Additionally, local NRP policy must include language requiring the participant to report the inability to participate in training due to unforeseen circumstances. Also, the policy must include the payment level determined for adults and dislocated workers.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-14.1 Needs-Related Payments (NRPs) Using Adult and Dislocated Worker Formula Funds from April 15, 2019*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-14-1.stm)*)*

**Adult and Dislocated Worker Eligibility**

WIOA requires states to assist local workforce development areas with the implementation of employment and training activities to adults and dislocated workers. The WIOA program is designed to provide employment and training opportunities to those who can benefit from, and who need such opportunities. Meeting the eligibility criteria for a WIOA-funded program does not entitle an adult or dislocated worker to receive certain employment and training services. Local decisions on whether to provide specific services must be based upon additional state and local policy considerations, including, but not necessarily limited to, the appropriateness for services.

**Statutory Eligibility Requirements for Adult and Dislocated Workers**

Individuals wishing to receive employment and training services funded through the adult and dislocated worker programs must meet all the following requirements:

1. Be legally authorized to work in the United States;

2. Be 18 years of age or older;

3. Be properly registered for selective service (refer to WIOAPL No. 15-04, Selective Service Registration, for details, including the list of exceptions to this requirement).

There are no additional eligibility criteria for the adult program. However, WIOA requires that priority for adult services must be given to recipients of public assistance and other low-income individuals, and individuals who are basic skills deficient for receipt of career and training services necessary for an individual to obtain or retain employment.

**Additional Statutory Eligibility Requirements for Dislocated Workers**

In addition to the requirements listed above, an individual must also fall into one or more of the following eligibility categories as outlined in section 3(15) (A-E) of WIOA, P.L. 113-128 to be eligible for the dislocated worker program

Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff, from Employment

* Has been terminated or laid off, or has received a notice of termination or layoff, from employment; **AND**
* Is eligible for or has exhausted entitlement to unemployment compensation; **OR** has been employed for a duration sufficient to demonstrate attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under a state unemployment compensation law; **AND**
* Is unlikely to return to a previous industry or occupation.

Category B: Plant Closure or Substantial Layoff

* Has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of any permanent closure of or any substantial layoff at a plant, facility, or enterprise; **OR**
* Is employed at a facility where the employer has made a general announcement that such facility will close within 180 days; **OR**
* For purposes of eligibility to receive services under WIOA (P.L. 113-128), other than training services described in section 134(c)(3), career services described in section 134(c)(2)(A)(xii), or supportive services, is employed at a facility at which the employer has made a general announcement that such facility will close.

Category C: Self-Employed Individual

* Was self-employed (including employment as a farmer, rancher, or fisherman) but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters.

Category D: Displaced Homemaker

* Is a displaced homemaker.

Category E: Military Spouse

* Is married to a member of the Armed Forces on active duty (as defined in section 101(d)(1) of title 10, United States Code), and has experienced a loss of employment as a direct result of relocation to accommodate a permanent change in duty station of such member; **OR**
* Is married to a member of the Armed Forces on active duty and meets the criteria of a displaced homemaker who is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

**Special Eligibility Conditions for Dislocated Workers**

The following are special circumstances that, when met, allow the worker to be determined eligible for the dislocated worker program, provided that the applicant is authorized to work in the United States, is 18 years of age or older, and is properly registered for selective service.

A. Reemployment Services and Eligibility Assessment (RESEA) and Unemployment Compensation Reemployment Services (UCRS)

The RESEA and UCRS systems are early intervention approaches for providing dislocated workers with reemployment services to expedite their return to productive employment. The Ohio Job Insurance (OJI) system selects claimants to participate in these programs have received a first Unemployment Insurance (UI) payment, do not have a definite return to work date, are not job attached, not attending approved training, and do not utilize a union hiring hall for employment. These selected claimants are considered to be unlikely to return to their previous occupations or industries and are considered dislocated workers under WIOA (P.L. 113-128), section 3(15), Category A: Terminated or Laid Off or Received a Notice of Termination or Layoff, from Employment.

B. Trade Eligible

The Trade Adjustment Act (TAA) is a program that assists individuals who became unemployed as a result of increased imports, with their return to suitable employment based upon an approved petition.  The TAA program provides reemployment services and allowances for eligible individuals.  Applicants are considered to be dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff, from Employment, when the affected worker provides a copy of the petition approval letter, or a screen shot from Ohio’s designated case management system indicating that the individual is trade eligible.

C. Locked-out Workers

Locked-out workers are considered to be dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff, from Employment, when an ODJFS Office of Unemployment Compensation hearing officer has issued a determination that a lockout exists.

D. Buyouts and Forced or Early Retirements

Workers who receive buyouts or who are forced to retire are considered dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff, from Employment, when all the following conditions are met:

* The employer has offered a buyout or early retirement, or has forced an early retirement as a means to reduce its workforce, and provides a financial incentive for long-term workers to leave their employment; and
* The participating workers would not be voluntarily leaving their positions or retiring from employment at this time; and
* The worker is eligible for Unemployment Insurance (UI); and
* They are unlikely to return to a previous industry or occupation.

Workers in the situation listed above are considered to be preserving the jobs for employees with less seniority.

E. Transitioning Service Members and Recently Separated Veterans

Dislocated worker funds can help transitioning service members or recently separated veterans enter or reenter the civilian labor force.

A transitioning service member or recently separated veteran qualifies for dislocated worker activities if he/she is separating from the Armed Forces with a discharge that is anything other than dishonorable, and he/she meets the following criteria:

* The individual has received a notice of separation, a DD-214 from the Department of Defense, or other documentation showing a separation or imminent separation from the Armed Forces, thus satisfying the termination or layoff part of the dislocated worker eligibility criteria;
* The individual meets the dislocated worker eligibility criteria regarding eligibility for or exhaustion of unemployment compensation; and
* The individual meets the dislocated worker eligibility criterion of being unlikely to return to a previous industry or occupation*.*

**Local Workforce Development Area Requirements**

Unlikely to Return to a Previous Industry or Occupation

Under 20 CFR 680.130, local areas may establish additional criteria to the “unlikely to return to a previous industry or occupation” definition.

If the local area identifies additional criteria, to the “unlikely to return to a previous industry or occupation” definition, a local policy must be developed to define “unlikely to return to a previous industry or occupation”. The local area may also identify other appropriate source documentation based on those additional criteria.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-02.1 Adult and Dislocated Worker Eligibility from October 1st, 2020*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-02-1.stm)*)*

**Youth Program Eligibility**

Title I of WIOA outlines an integrated service delivery system and provides a framework through which states and local workforce development areas (local areas) can leverage other federal, state, local, and philanthropic resources to support in-school and out-of-school youth. The WIOA youth program is designed to provide services, employment, and training opportunities to those who can benefit from and who need such opportunities. Meeting the eligibility criteria for a WIOA-funded program does not entitle an individual to receive program elements and services. All elements must be made available to the eligible youth population, whether funded by WIOA or other resources, but the local decision on whether to provide a specific service to a youth participant must be based upon the individual’s needs, appropriateness for the service, and funding availability.

The implementation of the Comprehensive Case Management and Employment Program (CCMEP) in Ohio transformed the network of human services and workforce programs by integrating youth programs funded by Temporary Assistance for Needy Families (TANF) and WIOA into one program in local areas that opt to participate. The braiding of WIOA and TANF dollars and co-funding of services when feasible leverages federal dollars to provide integrated wrap-around services that address the various needs of participants who are eligible for these separate funding sources.

Each local workforce development board (WDB) is responsible for establishing the WIOA youth program within the overall strategy of the workforce development system. Per section 5116.20 of the Revised Code, the local WDB is required to decide whether to authorize the use of WIOA youth funds allocated to the local area for CCMEP implementation. The local WDB’s decision applies to all counties contained within the local area governed by the board. By authorizing the WIOA funds to be used for CCMEP, the local WDB agrees to adhere to all provisions of CCMEP, including the implementing legislation, procedure letters, and other guidance pertaining to the delivery of services.

Per section 5116.21 of the Revised Code, if the local WDB does not authorize the use of WIOA youth funds for CCMEP, the local area will administer a WIOA-only youth program and forgo access to the additional TANF funds dedicated to CCMEP. In this case, the local area will adhere to the eligibility requirements contained in this policy.

Local areas implementing WIOA Youth program services must ensure that participant eligibility for such services and participant school status are accurately determined based on the following requirements. Each eligibility factor must be verified in accordance with the policy on source documentation for WIOA programs. For details on the WIOA Youth Program Eligibility see [WIOAPL 15-03.1](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-03-1.stm).

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-03.1*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-03-1.stm) *Youth Program Eligibility from September 4, 2018)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required eligibility determinations were made (including obtaining any required documentation/verification), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program.

3. Determine whether amounts provided to or on behalf of eligible participants or groups of participants were calculated in accordance with program requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. 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 Substantive Audit Procedures – Compliance

|  |
| --- |
| Consider the results of control testing above 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.  *(Source: 2023 OMB Compliance Supplement Part 3)*  1. *Eligibility for Individuals*  a. For some Federal programs with a large number of people receiving benefits, the non-Federal entity may use a computer system for processing individual eligibility determinations and delivery of benefits. Often these computer systems are complex and will be separate from the non-Federal entity’s regular financial accounting system. Typical functions that a computer system used for determining eligibility may perform are:  - Perform calculations to assist in determining who is eligible and the amount of benefits  - Pay benefits (e.g., write checks)  - Maintain eligibility records, including information about each individual and benefits paid to or on behalf of the individual (regular payments, refunds, and adjustments)  - Track the period of time during which an individual is eligible to receive benefits, i.e., from the beginning date of eligibility through the date when those benefits stop, generally at the end of a predetermined period, unless there is a redetermination of eligibility  - Perform matches with other computer databases to verify eligibility (e.g., matches to verify earnings or identify individuals who are deceased)  - Control who is authorized to approve benefits for eligible individuals (e.g., an employee may be approving benefits on-line and this process may be controlled by passwords or other access controls)  - Produce exception reports indicating likely errors that need follow-up (e.g., when benefits exceed a certain amount, would not be appropriate for a particular classification of individuals, or are paid more frequently than normal)  Because of the diversity of computer systems, both hardware and software, it is not practical for this Supplement to provide suggested audit procedures to address each system. However, generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. Similarly, when eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the non-Federal entity’s computer processing.  The auditor should perform audit procedures relative to the computer system for eligibility as necessary to support the opinion on compliance for the major program. Due to the nature and controls of computer systems, the auditor may choose to perform these tests of the computer systems as part of testing the internal controls for eligibility.  b. *Split Eligibility Determination Functions*  (1) *Background* – Some non-Federal entities pay the Federal benefits to the eligible participants but arrange with another entity to perform part or all of the eligibility determination. For example, a State arranges with local government social services agencies to perform the “intake function” (e.g., the meeting with the social services client to determine income and categorical eligibility) while the State maintains the computer systems supporting the eligibility determination process and actually pays the benefits to the participants. In such cases, the State is fully responsible for Federal compliance for the eligibility determination, as the benefits are paid by the State. Moreover, the State shows the benefits paid as Federal awards expended on the State’s Schedule of Expenditures of Federal Awards. Therefore, the auditor of the State is responsible for meeting the internal control and compliance audit objectives for eligibility. This may require the auditor of the State to perform, coordinate, or arrange for additional procedures to ensure compliant eligibility determinations when another entity performs part of the eligibility determination functions. The responsibility of the auditor of the State for auditing eligibility does not relieve the auditor of the other entity (e.g., local government) from responsibility for meeting those internal control and compliance audit objectives for eligibility that apply to the other entity’s responsibilities. An exception occurs when the auditor of the other entity confirms with the auditor of the State that certain procedures are not necessary.  (2) Ensure that eligibility testing includes all benefit payments regardless of whether another entity, by arrangement, performs part of the eligibility determination functions.  c. Perform procedures to ascertain if the non-Federal entity’s records/database includes all individuals receiving benefits during the audit period (e.g., that the population of individuals receiving benefits is complete).  d. Select a sample of individuals receiving benefits and perform tests to ascertain if  (1) The required eligibility determinations and redeterminations, (including obtaining any required documentation/verifications) were performed and the individual was determined to be eligible in accordance with the compliance requirements of the program. (Note that some programs have both initial and continuing eligibility requirements and the auditor should design and perform appropriate tests for both. Also, some programs require periodic redeterminations of eligibility, which should also be tested.)  (2) Benefits paid to or on behalf of the individuals were calculated correctly and in compliance with the requirements of the program.  (3) Benefits were discontinued when the period of eligibility expired.  e. In some programs, the non-Federal entity is required to use a quality control process to obtain assurances about eligibility. Review the quality control process and perform tests to ascertain if it is operating to effectively meet the objectives of the process and in compliance with applicable program requirements.  2. *Eligibility for Group of Individuals or Area of Service Delivery –* ***Not Applicable***  3. *Eligibility for Subrecipients –* ***Not Applicable*** |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   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 \_\_\_\_\_\_\_\_\_\_** |

## G. MATCHING, LEVEL OF EFFORT, EARMARKING

### OMB Compliance Requirements

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the 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, 2 CFR 200.306 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 2 CFR Part 200, Subpart E (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 2 CFR 200.306, 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: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Matching** – Not Applicable

**2. Level of Effort** – Not Applicable

**3. Earmarking**

a. Statewide Activities – *Not Applicable to LEAs*

b. Local Areas

(1) A local area may expend no more than 10 percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under Sections 128(b) (WIOA, 128 Stat. 1502) and 133(b) (WIOA, 128 Stat. 1516) for within state allocations. The funds provided for administrative costs by one of the three fund sources (Adult, Dislocated Worker, Youth Activities) can be used for administrative costs of the other two sources.

(2) The amount that may be spent on incumbent worker training may not exceed 20 percent of the amount of the combined total of federal funds allocated to local areas to carry out the Adult and Dislocated Worker programs for a program year (20 CFR section 680.800; Section 134(d)(4), WIOA, 128 Stat. 1535).

(3) WIOA authorizes workforce investment areas, with the approval of the governor, to transfer up to 100 percent of the Adult Activities funds to Dislocated Workers Activities, and up to 100 percent of Dislocated Workers Activities funds to Adult Activities (Section 133(b)(4), WIOA, 128 Stat. 1518).

(4) At the discretion of the local board, not more than 10 percent of the total funds allocated to the local area under section 128(b) and under section 133(b)(2)-(3) may be used to implement a pay-for- performance contract strategy as defined in WIOA Section 3(47) (WIOA Section 129(c)(1)(D) and 134(d)(1)(A)(iii)).

c. Youth Activities

(1) A minimum of 75 percent of the Youth Activity funds allocated to states and local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (Section 129(a)(4)(A), WIOA, 128 Stat. 1506).

(2) Not less than 20 percent of Youth Activity funds allocated to the local area, except for the local area expenditures for administration, must be used to provide paid and unpaid work experiences (Section 129(c)(4)), WIOA, 128 Stat. 1510).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

**Incumbent Worker Training (IWT) Guidelines**

Incumbent worker training (IWT) under WIOA provides both workers and employers with the opportunity to build and maintain a quality workforce and increase both participants’ and companies’ competitiveness. It is a type of work-based training and upskilling designed to ensure that employees of a company can acquire the skills necessary to retain employment and advance within the company, or to acquire the skills necessary to avert a layoff. IWT must either help avert potential layoffs of employees or increase the skill levels of employees so they can be promoted within the company and create backfill opportunities for the employers. **Local workforce development areas may use up to 20 percent of their local adult and dislocated worker formula funds for incumbent worker training**. The training should, wherever possible, allow the participant to gain industry-recognized training experience.

Local workforce development boards (WDB) have several options when determining how best to serve eligible employers. A WDB can arrange training using the traditional array of individualized career services and training services. Local WDBs and planning regions may also implement innovative training strategies that best meet the needs of the business community.

*Cost Sharing Requirements for Incumbent Worker Training*

Employers participating in the IWT shall be required to pay for the non-Federal share of the cost of providing the training to incumbent workers of the employers. The WDB and the planning region shall establish the non-Federal share of such cost taking into consideration such other factors as the number of employees participating in the training, wage and benefit levels of the employees, the relationship of the training to the competitiveness of the employer and employees, and the availability of other employer-provided training and advancement opportunities.

The non-federal share shall not be less than:

1. 10 percent of the cost, for employers with 50 or fewer employees;
2. 25 percent of the cost, for employers with 51 to 100 employees; and
3. 50 percent of the cost, for employers with more than 100 employees.

To receive IWT, an incumbent worker does not have to meet the eligibility requirements for participation in career and training services for adults and dislocated workers under WIOA, unless they are also enrolled as a participant in the WIOA adult or dislocated worker program.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-23.2 Incumbent Worker Training (IWT) Guidelines from November 10, 2021*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-23-2.stm)*)*

**Work Experience for Youth**

Under the Workforce Innovation and Opportunity Act, paid and unpaid work experience is an allowable activity and one of the fourteen (14) youth program elements required to be competitively procured when selecting a youth service provider for this activity.

Work experience is one of the fourteen (14) required program elements that must be made available to all registered youth and should be offered throughout the program year. It is a planned, structured learning activity that takes place in a workplace setting for a limited period of time and has an academic and occupational education component. Work experience may be paid or unpaid.

Work experience may be conducted in the private-for profit, private non-profit and public sectors. Although a business, public agency or non-profit (hereafter collectively referred to as "work experience provider") may also receive some benefit from work experience in the form of work being done or recruiting a potential new employee, the primary goal of work experience is to benefit the participant.

Per section 129 (c)(4) of the WIOA, not less than 20% of the youth program funds shall be used to provide youth participants with paid and unpaid work experiences. Expenses counted toward the 20% include staff time and effort to arrange for and monitor the work experiences, wages paid to participants, and stipends or incentives paid to participants who are in unpaid work experience. Also see [TEGL 21-16](https://www.dol.gov/sites/dolgov/files/ETA/advisories/TEGL/2017/TEGL_21-16.pdf) for additional guidance.

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter NO. 15-13 Work Experience for Youth from July 15, 2015*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-13.stm)*)*

Local workforce areas are required to expend at least 75 percent of WIOA Youth program funds on Out-of-School Youth (OSY) participants. In recognition of CCMEP’s innovative co-funding strategies and the infusion of unprecedented TANF resources to benefit this population, ODJFS requested and received the following waiver: Waiver of WIOA requirement to expend at least 75 percent of youth funds to provide services to out-of-school youth to include a combination of WIOA and TANF funds. More details on this and other CCMEP waivers may be found in [WIOA Policy Letter 17-04.3](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-04-3.stm).

**Note:** For compliance purposes, this calculation should only be calculated once the grant period has ended plus three additional months for final close-out reporting. The work experience costs are calculated and reported to Dept. of Labor quarterly, but the state and local area is not out of compliance until after the grant closes out.

*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 17-04.3 Waivers for Implementation of the Comprehensive Case Management and Employment Program from January 22, 2018)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. *Earmarking* – Determine whether minimum or maximum limits for specified purposes or types of participants were met.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. 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 Substantive Audit Procedures – Compliance

|  |
| --- |
| Consider the results of control testing above 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.  *(Source: 2023 OMB Compliance Supplement Part 3)*  **1.** **Matching** – *Not Applicable*  **2. Level of Effort** – *Not Applicable*  **3. Earmarking**  a. Identify the applicable percentage or dollar requirements for earmarking.  b. Perform procedures to verify that the amounts recorded in the financial records met the requirements (e.g., when a minimum amount is required to be spent for a specified type of service, perform procedures to verify that the financial records show that at least the minimum amount for this type of service was charged to the program; or, when the amount spent on a specified type of service may not exceed a maximum amount, perform procedures to verify that the financial records show no more than this maximum amount for the specified type of service was charged to the program).  c. When earmarking requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.  d. When the earmarking requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account (e.g., if only 10 percent may be spent for administrative costs, review accounts for other than administrative costs to identify administrative costs which were improperly classified elsewhere and cause the maximum percentage or amount to be exceeded).  e. When earmarking requirements prescribe the minimum number or percentage of specified types of participants that can be served, select a sample of participants that are counted toward meeting the minimum requirement and perform tests to verify that they were properly classified.  f. When earmarking requirements prescribe the maximum number or percentage of specified types of participants that can be served, select a sample of other participants and perform tests to verify that they were not of the specified type. |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   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

### OMB Compliance Requirements

A non-Federal entity may charge only allowable costs incurred during the approved budget period of a federal award’s 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 sections 2 CFR 200.308, 200.309, and 200.403(h). A period of performance may contain one or more budget periods.

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial 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 (2 CFR 200.344(b)). When used in connection with a non-Federal entity’s utilization of funds under a Federal award, “financial 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 (2 CFR 200.1\_Obligations).

Period of Performance requirements for cost reimbursement contracts subject to the FAR are contained in the terms and conditions of the contract.

**Source of Governing Requirements**

The requirements for the period of performance are contained in 2 CFR 200.1 definitions for “budget period,” “financial obligations,” “period of performance,” 2 CFR 200.308 Revisions of budget and program plans, 2 CFR 200.309 Modifications to period of performance, 2 CFR 200.344 Closeout, program legislation, Federal awarding agency regulations; and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

*1. Statewide Activities – Not Applicable*

*2. Local Areas*

Funds allocated by a state to a local area for any program year are available for expenditure only during that program year and the succeeding program year. Funds which are not expended by a local area in two-year period must be returned to the state, which can use the funds for statewide projects during the third program year of availability. The state may also distribute the funds to local areas, which may have expended their original allocation and may need additional funds to complete their projects within the two-year period (29 USC 3249(g)(2)).

Funds used to carry out PFP contract strategies by local areas shall remain available until expended through procedures outlined in Attachment III of TEGL 8-20 (WIOA 189(g)(2)(D)).

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

As expenditures are incurred, they become accrued expenses and shall be reported as accruals. At the time the accrual is liquidated (disbursed), the WIOA local area may draw down funds and shall report the disbursement of the accrual as expenditure for that quarter. All accruals shall be liquidated by the end of the period of availability

*(Source:* [*Ohio Admin. Code 5101: 9-7-04*](http://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-04.stm) *(E))*

WIOA funds are issued to ODJFS in five funding streams each year. The chart below illustrates the program year when each allotment is received, allocated to local areas, and the end-dates for the funds.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| WIOA Funding Stream | Federal Allotment Rec’d | Allocated to 20 Local Areas | Local End Date | Local Liquidation Date | Federal End Date for ODJFS |
| PY22 Youth | Apr-22 | Jul-22 | 6/30/24 | 6/30/24 | 6/30/24 |
| PY22 Adult | Jul-22 | Jul-22 | 6/30/24 | 6/30/24 | 9/30/24 |
| PY22 Dis. Wkr | Jul-22 | Jul-22 | 6/30/24 | 6/30/24 | 9/30/24 |
| FY23 Adult | Oct-22 | Oct-22 | 6/30/24 | 6/30/24 | 9/30/24 |
| FY23 Dis. Wkr | Oct-22 | Oct-22 | 6/30/24 | 6/30/24 | 9/30/24 |

ODJFS keeps 25 percent of its Dislocated Worker allotment as Rapid Response funding, which is awarded to local areas who apply for the funds based on local needs related to dislocated workers, usually to deal with mass layoffs. The most recent FY funds are awarded for the Federal Fiscal Year (October through September) only (i.e. SFY23 awards to local areas would utilize FY24 grant dollars and have a 9/30/23 end-date and 12/31/23 liquidation date). The area may apply for more funding in the subsequent federal fiscal year if the need for services persists. Under WIOA, unobligated balances of Rapid Response not used by the local areas may be spent by ODJFS for its statewide activities, so prior-year issuances of two-year old or three-year-old Rapid Response grant funds are no longer awarded to the local areas.

*(Source: Paige Thomas, Ohio Department of Job and Family Services Office of Workforce Development, Policy Manager)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether the Federal award was only charged for: (a) allowable costs incurred during the period of performance; or (b) costs incurred prior to the date the Federal award was made that were authorized by the Federal awarding agency or pass-through entity.

3. Determine whether financial obligations were liquidated within the required time period.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. 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 Substantive Audit Procedures – Compliance

|  |
| --- |
| Consider the results of control testing above 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.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  1. Review the award documents and regulations pertaining to the program and determine any award-specific requirements related to the period of performance.  *This step should be addressed when auditors tailor the “Additional Program Specific Information.”*  \*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. |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   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 \_\_\_\_\_\_\_\_\_\_** |

## L. REPORTING

### OMB Compliance Requirements

*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 agency’s home page.

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 – Not Applicable*

*Federal Funding Accountability and Transparency Act – Not Applicable*

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.

**Source of Governing Requirements**

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

1. Financial reporting, 2 CFR 200.328
2. Monitoring and reporting program performance, 2 CFR 200.329
3. Program legislation.
4. Transparency Act, implementing requirements in 2 CFR Part 170 and the FAR, and the previously listed OMB guidance documents.
5. Federal awarding agency regulations.
6. The terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Financial Reporting**

a. *SF-270, Request for Advance or Reimbursement* – Not Applicable

b. *SF-271, Outlay Report and Request for Reimbursement for Construction* Programs – Not Applicable

c. *SF-425, Federal Financial Report* – Not Applicable

d. *ETA-9130, Financial Report (OMB No. 1205-0461)* – All ETA grantees are required to submit quarterly financial reports for each grant award they receive. Reports are required to be prepared using the specific format and instructions for the applicable program(s); in this case, Workforce Innovation and Opportunity Act instructions for the following: Statewide Adult; Workforce Statewide Youth; Statewide Dislocated Worker; Local Adult; Local Youth; and Local Dislocated Worker. A separate ETA 9130 is submitted for each of these categories. Funds reserved and set aside for PFP contract strategies are required to be reported on ETA 9130 basic reports for each WIOA fund source utilized. Reports are due 45 days after the end of the reporting quarter. Financial data is required to be reported cumulatively from grant inception through the end of each reporting period. Additional information can be accessed at <http://www.doleta.gov/grants/>; scroll down to the section on Financial Reporting. See TEGL 02-16 for specific and clarifying instructions about the ETA 9130 at <https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5156>.

**2. Performance Reporting** – Not Applicable

**3. Special Reporting** – Not Applicable

**4. Special Reporting for Federal Funding Accountability and Transparency Act** – *Not Applicable to Funding Passed through ODJFS*

*(Source: 2023 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIOA Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

**1. Financial Reporting**

**Traditional WIOA Reporting**

**(C)**  **Quarterly cash on hand calculation**

1. The county finance information system (CFIS) calculates the area's average number of days of cash on hand on an individual grant basis. This information is based on expenditures and cash draws reported in CFIS in accordance with rule 5101:9-7-29 of the Administrative Code and reflected on the CFIS over/under report. The average number of days of cash on hand is calculated as follows:
   * + The cash on hand amount is calculated by deducting the total reported expenditures over the lifetime of the funding source, up to the budgeted amount, from the total amount of cash draws over the lifetime of the funding source
     + The daily average expenditure amount is calculated by dividing the total reported expenditures by the number of calendar days the funding has been available; and
     + The average number of days of cash on hand is calculated by dividing the cash on hand amount calculated in paragraph (C)(1)(a) of this rule by the average daily expenditures amount calculated in paragraph (C)(1)(b) of this rule.

Note: ODJFS may take additional action (as necessary) to ensure the cash management practices of the local area are in compliance

**(D) Quarterly interest liability/program income**

An interest liability accrues if federal funds are received prior to the day the funds are paid. In accordance with 2 C.F.R. 200.305 (b)(9), up to five hundred dollars per year of interest earned may be retained by the local area for administrative purposes. Any additional interest earned on WIOA funds must be treated as program income and must be used before the local area requests additional WIOA draws. Reported earned interest must be expended before the end of the quarter in which it was received. A local area shall calculate and report earned interestas a receipt in accordance with OAC 5101:9-7-04. Earned interest can only be used for the intended program and shall be held in the local account.

*(Source:* *[Ohio Admin. Code OAC 5101:9-7-04](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-04.stm) (C(1) & D))*

**Workforce Innovation and Opportunity Act (WIOA) local area quarterly reconciliation.**

The following accounting procedures are necessary for local accountability in the reconciliation of federal and state funds.

(A) Quarter-end reporting.

(1) The local area is accountable for the workforce development fund as reconciled each quarter and shall review reports and make adjustments and/or corrections prior to the final approval and submission of financial data to the Ohio administrative knowledge system (OAKS) for the closing quarter. The local area has access to system reporting throughout the quarter in order to make ongoing adjustments/corrections.

(2) The local area has access to reports based on financial data submitted in county finance information system (CFIS) as described in rule [5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm) of the Administrative Code.

(a) Each quarter's over/under report is cumulative over the lifetime of the funding source.

(b) The local area is given five business days after the eighteenth day of the month following the last month of the quarter to review reports for accuracy.

(3) No later than five business days after the eighteenth day of the month following the last month of the quarter, the local area shall submit any final adjustments and/or revisions OAKS.

(a) Once the five-day review period is complete, the Ohio department of job and family services (ODJFS) suspends reporting access to CFIS for the closing quarter in order to begin the quarter reconciliation process.

(b) The local area shall make any allowable changes that arise after the five- day review period to open grants in the current quarter.

(c) The local area shall make any allowable changes that arise after the five-day review period to open grants in the current quarter.

(B) Quarter reconciliation.

(1) ODJFS notifies the local area when the quarter reconciliation process is completed. The local area shall review reports for accuracy and immediately notify ODJFS of any discrepancies.

(2) State funded allocations and federally funded subgrants are reconciled at the end of their period of availability. The period of availability includes the funding period and the liquidation period.

(3) ODJFS may make adjustments as necessary to fully reconcile federal grants and/or state allocations that are being closed.

(a) If reported expenditures and adjustments in all funding sources being closed exceeds cash drawn in all funding sources being closed, ODJFS may issue additional funds on closed grants.

(b) If the total of reported expenditures and adjustments in all funding sources being closed is less than cash drawn in all funding sources being closed, ODJFS may adjust draws in open available grants.

(C) The local area shall retain financial, programmatic, statistical, recipient records, and supporting documents as described in [OAC rule 5101:9-9-21](https://emanuals.jfs.ohio.gov/LocalAdmin/APM/Chap09Rules/5101-9-9-21.stm) of the Administrative Code. This documentation may be subject to inspection, monitoring, and audit.

*(Source:* [*Ohio Admin. Code Rule 5101: 9-7-04.1*](http://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-04-1.stm)*)*

*(Source: Breeyn Handberg, Program Administrator, Rapid Response and ODJFS* [*WIOAPL 15-15.2*](https://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-15-2.stm) *Rapid Response Program Requirements - Employer Closure, Mass Layoff, Disaster Mass Job Dislocation, and Trade Adjustment Assistance Events from April 11, 2018.)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

|  |
| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. 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 Substantive Audit Procedures – Compliance

|  |
| --- |
| **OMB 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. |
| Consider the results of control testing above 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.  *(Source: 2023 OMB Compliance Supplement Part 3)*  1. Review applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to reporting requirements. Determine the types and frequency of required reports. Obtain and review Federal awarding agency or pass-through entity, in the case of a subrecipient, instructions for completing the reports.  a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual).  b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.  2. Select a sample of reports and perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:  a. Comparing current period reports to prior period reports.  b. Comparing anticipated results to the data included in the reports.  c. Comparing information obtained during the audit of the financial statements to the reports.  3. Select a sample of each of the following report types, and test for accuracy and completeness:  a. *Financial reports*  (1) Ascertain if the financial reports were prepared in accordance with the required accounting basis.  (2) Review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on Federal funds, and reserve funds).  (3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records. If reports require information on an accrual basis and the entity does not prepare its accounting records on an accrual basis, determine whether the reported information is supported by available documentation.  (4) For any discrepancies noted in SF-425 reports concerning cash status when the advance payment method is used, review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved with the applicable payment system.  b. *Performance and special reports –* ***Not Applicable***  c. *Special reports for FFATA (Only applicable for direct recipients) –* ***Not Applicable***  d. *For each type of report*  (1) When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to the data.  (2) Test mathematical accuracy of reports and supporting worksheets.  4. 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

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   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.)

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

Per paragraph 13.39 of the **AICPA Single Audit Guide[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 **(2 CFR 200.516):**

1. Significant deficiencies and material weaknesses in internal control over major programs.
2. Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to a major program.
3. 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.
4. Known questioned costs that are greater than $25,000 for programs that are not audited as major.
5. 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.
6. Significant instances of abuse relating to major programs.
7. 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 example, a scope limitation that is not otherwise reported as a finding).
8. 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 2 CFR 200.511(b) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[Appendix I](2_CFR_Part_200.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR Part 200.

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

|  |
| --- |
| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
|  |

|  |
| --- |
| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
|  |

**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must 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 13.34 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 verbally. 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.
* 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.

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