**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

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

|  |  |
| --- | --- |
| **Federal Award Name:** | Children’s Health Insurance Program (CHIP) |
| **AL#:** | 93.767 |

# 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 with Health and Human Services monies passed through the Ohio Department of Job and Family Services. 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](http://ohioauditor.gov/ipa/UniformGuidance/2023/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).

**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](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/_files/ugd/3059fc_1df7d5dd38074006bce8fdf621a942cf.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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/%3Af%3A/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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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.*

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# 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 – Tested at State Level |  |  |  |  |  |  |  |  |
| **F** |   | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |   | **Matching, Level of Effort, Earmark** | Yes |  | M |  |  |  |  |  | 5% |
| **H** |   | **Period of Performance** | Yes |  | M |  |  |  |  |  | 5% |
| **I** |   | **Procurement & Sus. & Debarment** | No |  |  |  |  |  |  |  |  |
| **J** |   | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |   | **Reporting** | Yes |  | N |  |  |  |  |  | 5% |
| **M** |   | **Subrecipient Monitoring** | No |  |  |  |  |  |  |  |  |
| **N** |   | **Special Tests & Provisions**  | Yes – Tested at State Level |  |  |  |  |  |  |  |  |

**(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 believes 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](http://ohioauditor.gov/ipa/UniformGuidance/2023/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

Title XXI of the Social Security Act (Act) authorizes the Children’s Health Insurance Program (CHIP) to assist state efforts in initiating and expanding the provision of child health assistance to uninsured, low-income children. CHIP is a joint federal and state program that provides health coverage to uninsured children in families with incomes too high to qualify for Medicaid, but too low to afford private coverage. States may also choose to provide CHIP coverage, such as prenatal, delivery and postpartum care to targeted low-income uninsured individuals. See [Children's Health Insurance Program (CHIP) | Medicaid](https://www.medicaid.gov/chip/index.html) for published guidance and information. Under Title XXI, states may provide child health assistance primarily for obtaining health benefits coverage through (1) obtaining coverage under a separate child health program that meets specific requirements, (2) expanding benefits under the state’s Medicaid plan under Title XIX of the Act, or (3) a combination of both.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### II. Program Procedures

1. **Overview**

The following paragraphs are intended to provide a high-level, overall description of how CHIP generally operates. It is not practical to provide a complete description of program procedures because CHIP operates under both federal and state laws and regulations and states are afforded flexibility in program administration. Accordingly, the following paragraphs are not intended to be used in lieu of or as a substitute for the federal and state laws and regulations applicable to this program.

*Administration*

Title XXI authorizes grants to states that initiate and expand health insurance programs for uninsured, low-income children. CHIP is administered by the states but is jointly funded by the federal government and states. Within broad federal guidelines, each state determines the design of its program, eligible groups, benefit packages, payment levels for coverage and administrative and operating procedures. States can design their CHIP program in one of three ways:

1. Separate CHIP: a program under which a state receives federal funding to provide child health assistance to uninsured, low-income children that meets the requirements of section 2103 of the Act.
2. Medicaid expansion CHIP: a program under which a state receives federal funding to expand Medicaid eligibility to optional targeted low-income children that meets the requirements of section 2103 of the Act.
3. Combination CHIP: a program under which a state receives federal funding to implement both a Medicaid expansion and a separate CHIP.

Each state is provided an annual CHIP allotment. States must provide matching funds to get their federal funding allotment. Federal payments under Title XXI to states are based on state expenditures under approved plans that could be effective on or after October 1, 1997. CHIP expenditures are matched by the federal government according to the states Enhanced Federal Medical Assistance Percentage (E-FMAP) and subject to their annual allotment.

To be eligible for funds under this program, states must submit a state child health plan (CHIP state plan). CHIP state plans and amendments to those plans are approved by CMS on behalf of the Secretary of the Department of Health and Human Services. The amendments are reviewed by an intra-departmental team, which must decide whether to approve or disapprove the amendment within a 90-day period. This “90-day clock” can be stopped by CMS sending the state a formal written request for additional information from the state and can be restarted at the same point when a response is formally received from the state. Copies of CHIP state plans are available on Medicaid.gov at <https://www.medicaid.gov/chip/state-program-information/index.html> .

Pursuant to section 2107(e)(1)(B) of the Act, cross referencing Title XIX requirements at 1902(a)(25) of the Act, states must take reasonable measures to determine the legal liability of third parties to pay for services furnished under the CHIP state plan. Such reasonable measures could include:

* Collect health insurance information during the initial eligibility application process and the redetermination process.
* Conduct diagnosis and trauma code edits to identify specific codes which could denote trauma related injury.
* Conduct data exchanges with:
	+ state wage information collection agencies,
	+ SSA wage and earnings files,
	+ state title IV-A agencies,
	+ state motor vehicle accident report files, and
	+ state workers’ compensation or Industrial Accident Commission files.

*Waivers*

The state may apply for a waiver of CHIP federal requirements under section 1115 of the Act. Waivers are intended to provide the flexibility needed to enable states to try experimental, pilot, or demonstration projects that, in the judgment of the Secretary, are likely to assist in promoting the objectives of the CHIP program. Where approved by the Secretary, and subject to specific safeguards for the protection of beneficiaries and the program, waivers allow exceptions to CHIP state plan requirements and permit the state to implement innovative programs or activities on a time-limited basis, permit states to try new or different approaches to the efficient and cost-effective delivery of health care services to children or adapt their programs to the special needs of particular areas or groups of beneficiaries. The Secretary will approve only demonstration projects that are consistent with key principles of the CHIP statute. States’ waiver authority is found at section 2107(e)(2)(A) of the Act (42 USC 1397gg(e)(2)(A)), which extends to CHIP the Medicaid waiver authority at section 1115 of the Act (42 USC 1315).

Medicaid and the CHIP play critical roles in helping states and territories respond to public health emergencies (PHEs) and disasters, including the outbreak of the Novel Coronavirus Disease 2019 (COVID-19). Over the course of the COVID-19 PHE, state Medicaid and CHIP agencies adopted many flexibilities offered by the CMS to respond effectively to local outbreaks, including changes to modify eligibility requirements and benefit packages. In addition, states made program changes to comply with the requirements of the Families First Coronavirus Response Act (FFCRA) (Pub. L. No. 116- 127), as amended by the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. No. 116-136). Section 6008 of the FFCRA provides states with a temporary 6.2 percentage increase to the Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Act for certain Medicaid expenditures if states meet certain conditions, including a continuous enrollment condition for most Medicaid beneficiaries who were enrolled in the program as of March 18, 2020 through the end of the month in which the COVID-19 PHE ends.

CMS provided program flexibilities and federal matching funds for certain services that should be considered when planning single audits, as described below. In some instances, certain audit steps may not be relevant during this review period in light of the flexibilities offered to states. The flexibilities are unique to individual states and follow the typical documentation process, including CMS approval of state plans and waivers, in accordance with regulations and guidance. Note that CMS guidance on COVID-related flexibilities is updated regularly, and auditors should reference the latest CMS guidance available on [Medicaid.gov](https://medicaid.gov/) at Tools and Checklists for States.

On March 3, 2022, CMS issued [State Health Official letter #22-001](https://www.medicaid.gov/federal-policy-guidance/downloads/sho22001.pdf), which expands on earlier guidance designed to ensure that when the PHE ends and states resume routine operations, renewals of eligibility and transitions between coverage programs occur in an orderly process that minimizes beneficiary burden and promotes continuity of coverage. It is important for auditors to be aware of the requirements and flexibilities implemented by the state Medicaid or CHIP agency in response to the COVID-19 PHE so that a state is not determined to be out of compliance with requirements that would have been in place absent the PHE.

**Background**

On January 31, 2020, the Secretary of Health and Human Services (HHS) declared a PHE, effective as of January 27, 2020, for the entire United States to aid the nation’s health care community in responding to COVID-19. On March 13, 2020, the president declared the ongoing COVID-19 pandemic of sufficient severity and magnitude to warrant an emergency declaration for all states, tribes, territories, and the District of Columbia pursuant to section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 USC 5121-5207 (the “Stafford Act”), with a retroactive effective date of March 1, 2020. Since the initial declaration, the PHE has been renewed several times, with the latest renewal effective January 14, 2022, for an additional 90 days. During a PHE or disaster, CMS can rely on various legal authorities to grant states emergency flexibilities critical to ensuring that states can respond to the crisis expeditiously to protect and serve the general public.

On December 22, 2020, CMS issued State Health Official (SHO) letter #20-004, entitled Planning for the Resumption of Normal State Medicaid, CHIP, and Basic Health Program (BHP) Operations Upon Conclusion of the COVID-19 Public Health Emergency (<https://www.medicaid.gov/federal-policy-guidance/downloads/sho20004.pdf>). This SHO letter provided guidance on returning to regular operations, including ending temporary authorities when the PHE concludes, making temporary changes permanent where legally permissible and otherwise appropriate, ending the expiring FFCRA provisions, and addressing pending eligibility and enrollment actions that developed during the PHE. As the PHE has been extended, the December 2020 guidance was updated through SHO letter #21-002 ([https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-](https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-002.pdf) [002.pdf](https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-002.pdf)) and SHO letter #22-001 (<https://www.medicaid.gov/federal-policy-guidance/downloads/sho22001.pdf>). States should have documentation available to describe the temporary changes made to their programs in response to the PHE as well as their plans for returning to normal operations following the PHE.

Some of the major areas to note include the following:

1. Telehealth

Federal telehealth requirements provide states with significant flexibility, and states have broad variability in their approaches to incorporating telehealth into their Medicaid and CHIP programs. CMS also recognizes that, in many circumstances, states have adopted Medicaid and CHIP telehealth policies that mirror Medicare telehealth policies, for which regulatory flexibilities have been provided during the COVID-19 PHE. To assist states with understanding the flexibilities regarding Medicaid and CHIP telehealth policy as it relates to COVID-19, CMS issued a COVID-19 Telehealth Toolkit, which was updated on October 14, 2020, that highlighted policy and operational questions that a state may consider when designing their approach (State Medicaid & CHIP Telehealth Toolkit, *Policy Considerations for States Expanding Use of Telehealth - COVID-19 Version* [https://www.medicaid.gov/medicaid/benefits/downloads/medicaid-chip-telehealth-](https://www.medicaid.gov/medicaid/benefits/downloads/medicaid-chip-telehealth-toolkit.pdf) [toolkit.pdf](https://www.medicaid.gov/medicaid/benefits/downloads/medicaid-chip-telehealth-toolkit.pdf)) (State Medicaid & CHIP Telehealth Toolkit, *Policy Considerations for States Expanding Use of Telehealth - COVID-19 Version*: Supplement #1. <https://www.medicaid.gov/medicaid/benefits/downloads/medicaid-chip-telehealth-toolkit-supplement1.pdf>). To support health care delivery while minimizing face-to-face encounters during the COVID-19 PHE, many states have significantly accelerated adoption of telehealth, including through telephonic modalities, across a wide variety of disciplines.

1. Beneficiary Eligibility and Enrollment

States are facing a number of challenges due to the ongoing COVID-19 PHE that will leave many states with large volumes of pending eligibility and enrollment actions when the PHE ends. Different states have utilized different eligibility and enrollment flexibilities available during the PHE**.** As each state determines which flexibilities to maintain and which flexibilities to end, states are expected to develop an operational plan that documents and tracks compliance, including the timelines for making changes to application and renewal processing and verifications. Additional information is provided in SHO letter #21-002 and SHO letter #22-001 on planning for the resumption of normal operations at the conclusion of the PHE, which is available on [Medicaid.gov](https://medicaid.gov/) at [SHO# 21-002: Updated Guidance Related to Planning for the Resumption of Normal](https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-002.pdf) [CHIP and BHP Operations Upon Conclusion of the COVID-19 PHE (medicaid.gov)](https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-002.pdf) and [sho22001.pdf (medicaid.gov)](https://www.medicaid.gov/federal-policy-guidance/downloads/sho22001.pdf)

All states will need to develop a comprehensive “unwinding operational plan” to restore routine operations in Medicaid when the PHE eventually ends. States are permitted to use a phased approach to complete processing of any pending applications and resume timely and accurate determinations of eligibility on all new applications within four months after the eventual end of the PHE. To account for the time needed to complete renewals, CMS will consider states to be in compliance with the 12-month unwinding period announced in the August 2021 SHO provided that the state has initiated all renewals and other outstanding eligibility actions by the last month of the 12-month period. States will have two additional months (14 months total) to complete all pending actions initiated during the 12-month unwinding period.

The flexibilities afforded to states as they respond to the PHE related to beneficiary eligibility and enrollment could lead to unintended vulnerabilities and risks. CMS reiterates the importance of states considering the appropriate program integrity activities related to beneficiary eligibility and enrollment.

1. Managed Care

As previously described in CMS guidance ([https://www.medicaid.gov/state-resource-](https://www.medicaid.gov/state-resource-center/downloads/covid-19-faqs.pdf) [center/downloads/covid-19-faqs.pdf](https://www.medicaid.gov/state-resource-center/downloads/covid-19-faqs.pdf)), if a benefit or other identified flexibility is covered under a state plan, waiver, or demonstration, CMS encourages states to amend their managed care plan contracts, if not already included, to extend the same flexibilities to the managed care plans during the COVID-19 PHE. States may also amend their managed care contracts and assess if changes are needed to capitation rates to account for the COVID-19 PHE.

1. Other Benefits and Changes

In response to the COVID-19 PHE, many states have implemented emergency measures to ensure that Medicaid and CHIP beneficiaries continue to have access to essential health services. Specific to CHIP, states have submitted disaster relief state plan amendments (SPAs) to suspend, add, and revise policies that could prevent enrollees from accessing needed care during the PHE.

*Payment Error Rate Measurement (PERM) Program*

The PERM program is utilized by HHS to calculate national improper payment rates in Medicaid and CHIP. The regulations at 42 CFR Part 431, Subpart Q, specify requirements for estimating improper payments in Medicaid and CHIP. The PERM program annually measures the national Medicaid and CHIP improper payment rates and uses a 17-state, three-year rotation process. The national Medicaid and CHIP improper payment rates include findings from the most recent three cycle measurements so that all states are captured in one rate. The national improper payment rates are comprised of three components: fee-for-service, managed care, and eligibility. States are expected to issue corrective action plans to address the root cause of errors and deficiencies.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### III. Source of Governing Requirements

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

The Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA) (Pub. L. No. 111-3) reauthorized CHIP through fiscal year (FY) 2013. The Patient Protection and Affordable Care Act (ACA) (Pub. L. No. 111-148) reauthorized CHIP through 2019 and extended CHIP funding through FY 2015. The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) Pub. L. No. 114-10) extended CHIP funding through FY2017. Most recently, Congress extended federal funding for the CHIP through September 30, 2027, through the Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable Act (referred to as the HEALTHY KIDS Act and included in Pub. L. No. 115-120) and the Advancing Chronic Care, Extenders, and Social Services Act (referred to as the ACCESS Act and included in Pub. L. No. 115-123).

The Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260) established a new requirement to extend full Medicaid eligibility to citizens of the Freely Associated States who are living in the United States under the Compacts of Free Association (COFA).

This program is subject to the requirements of 45 CFR Part 75 (the HHS implementation of 2 CFR Part 200) and 45 CFR Part 95.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### IV. Other Information

**Availability of Other Program Information**

States and other interested parties can access information on the department’s policies on this and other issues at <http://www.medicaid.gov/>.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

# Part II – Pass through Agency and Grant Specific Information

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

### Program Overview

Links to Ohio SCHIP documents:

[Medicaid State Plan | Medicaid (ohio.gov)](https://medicaid.ohio.gov/about-us/medicaid-state-plan/medicaid-state-plan)

[Reports and Research (ohio.gov)](https://medicaid.ohio.gov/stakeholders-and-partners/reports-and-research)

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

To familiarize the auditor with the information on the Medicaid program, the following is directly from the Medicaid Federal Award Compliance Control Records:

Counties accept applications, enter data into statewide automated eligibility system, and the system issues Medical cards to recipients enrolled in Medicaid fee-for-service (FFS) who are determined eligible by statewide automated eligibility system based on the application information entered. Approximately 90% of the Medicaid population is enrolled into a managed care plan with one of the contracted managed care organizations (MCOs.) If enrolled in an MCO, the medical card will be distributed by that MCO. Individual Medicaid recipients go to Medical Service providers (doctors, hospitals, pharmacies, nursing homes, etc.) who also must meet certain criteria to be eligible to provide services for Medicaid. Until February 1, 2023, eligible Medicaid service providers providing services to FFS members had three methods of submitting claims, (1) electronic data interchange (EDI), (2) the Medicaid Information Technology System (MITS) or (3) the point-of-sale system for pharmacy claims. If the individual was enrolled in managed care, all claims were paid by the MCO. Beginning February 1, 2023, all managed care EDI claims are submitted first to ODM’s Fiscal Intermediary (FI) module of the Ohio Medicaid Enterprise System (OMES) before being passed to the MCO for adjudication. Providers submitting MCO claims through Direct Data Entry (DDE) are submitting claims directly to the MCO. All FFS EDI claims are submitted and processed by ODM’s FI. All FFS DDE claims are still processed by ODM’s MITS and converted into the FI system. Claims are processed by Ohio Department of Medicaid (ODM) at the State level (Claim submission is detailed in [OAC 5160-1-19](http://codes.ohio.gov/oac/5160-1-19v1) and 5160-3-39.1) or by the MCO. MITS verifies patients’ eligibility through real-time transactions of information from the statewide automated eligibility system and determines allowability of the service provided. MCOs receive a file with eligibility information for their members from the Fiscal Intermediary (FI) module of the Ohio Medicaid Enterprise System (OMES) which was implemented on February 1, 2023. All Medicaid payments are paid at the State level; therefore, the audit sample for tests of expenditures will be determined and tested by the State level audit team. Substantive tests of Eligibility (recalculations of determinations made by statewide automated eligibility system) will be performed by Medicaid Eligibility Quality Control (MEQC) Unit that is a part of ODM under the direction of the State level audit team.

A single pharmacy benefit manager (SPBM) was implemented on October 1, 2022.  The SPBM processes all pharmacy claims for individuals enrolled in an MCO and on July 1, 2023, began processing pharmacy claims for individuals enrolled in FFS.  On February 1, 2023, ODM began the implementation of the OMES fiscal FI module.  This module ingests and adjudicates FFS claims. The FI system also receives all managed care claims but does not adjudicate or finalize managed care claims. Claims are tagged and forwarded to the managed care plans. Once claims are adjudicated by the plan, they are forward to the FI system as encounters and the initial claim receipt is closed out.

*(Source: Megan Powell, Bureau of Program Integrity Chief, Ohio Department of Medicaid, December 2023)*

**County Structure**

Each County is segregated into the following three areas:

• County Department of Job and Family Services (CDJFS) – Administers the Food Assistance (SNAP) Cluster, TANF, Childcare and Development Fund Cluster, Social Services Block Grant, SCHIP, and Medicaid (i.e. all Public Assistance programs).

• Public Children Services Agency (PCSA) - Administers the Foster Care and Adoption Assistance programs.

• Child Support Enforcement Agency (CSEA) - Administers the Child Support Enforcement program. This agency can be organized in 1 of 4 ways. Regardless of the method of organization, each county has a separately designated CSEA with a responsible director or administrator.

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

• As a division of the Office of the County Prosecutor;

• As an arm of the local Common Pleas Court;

• As a standalone CSEA reporting directly to the county commissioner.

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

**Subgrant Agreement**

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

ODJFS has county profiles and web links at <https://jfs.ohio.gov/about/local-agencies-directory/local-agencies-directory> .

**County Collaborations**

**Collabor8**

Collabor8, formed in 2011, is a project that involves nine county department and family services that will work together under a common agreement to process and manage administrative workloads as one project area.

The MOU was extended indefinitely. Harrison County was added, and Delaware County was removed from the participants for SFY 24.  The fiscal sharing splits for SFY 24 & 23, obtained from Collabor8, are below.  This information is unaudited.

Auditors should evaluate for accuracy / reasonableness not only the fiscal split percentages used but also but also any other costs allocated as a result of this collaborative effort. [OAC 5101:4-1-16](https://emanuals.jfs.ohio.gov/CashFoodAssist/FACM/FAH1000/5101-4-1-16.stm) states that ODJFS issues the names of the approved county collaborations that can be found in the food assistance certification manual on the ODJFS website.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **County** | **State Fiscal Year 24****IM Allocations** | **Percentage** | **State Fiscal Year 23****IM Allocations** | **Percentage** |
| Carroll | $     311,681.00  | 7.77% | $     288,586.00  | 7.65% |
| Delaware |  |  |      307,202.00  | 8.14% |
| Hancock |      457,704.00  | 11.42% |      423,853.00  | 11.23% |
| Harrison | 265,788.00 | 6.63% |  |  |
| Holmes |      309,869.00  | 7.73% |      287,118.00  | 7.61% |
| Knox |       461,737.00  | 11.52% |       427,798.00  | 11.34% |
| Marion |      656,029.00  | 16.36% |      607,651.00  | 16.11% |
| Morrow |      309,884.00  | 7.73% |      286,094.00  | 7.58% |
| Sandusky |      486,730.00  | 12.14% |      450,852.00  | 11.95% |
| Wood |      749,550.00  | 18.70% |      693,812.00  | 18.39% |
| Total | $4,008,972.00 |  | $3,772,966.00 |  |

**Joint County Department of Job and Family Services**

Ohio Revised Code § 329.40-329.46 allows for the formation of joint county departments of job and family services. The boards of county commissioners of any two or more counties may enter into a written agreement to form a joint county department of job and family services. Once the agreement is in effect, the department should operate a single new entity replacing the contributing counties JFS offices. The agreements will specify the reporting periods for the new departments, which are not required to be on a 12/31 reporting timeframe. If auditors are aware of the formation of a new district, they should inquire as soon as possible with the district to determine the reporting period that was established. Auditors should familiarize themselves with the ORC code sections mentions and should also obtain the agreement establishing the district; perform a potential component unit evaluation to determine if the district is a legally separate entity and if they are a subrecipient of ODJFS or of the contributing counties. Also, keep in mind ORC 329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to consider whether testing procedures from the Equipment and Real Property Management section are required. Also keep in mind costs incurred for the acquisition of buildings and land, as “capital expenditures,” are unallowable as direct charges, except where approved in advance by the awarding agency. See 45 CFR 75.318, 75.343, and 75.439(b)(1) (2 CFR 200.311, 200.329 and 200.439(b)(1)). We are aware of two districts that have currently formed. See below. OAC 5101:4-1-16 was updated and designed county collaborations as certification offices responsible for program operations which include, but not limited to: application processing; eligibility determinations; and operation of employment and training programs. Approved counties were removed from the code section and OAC 5101:4-1-16(B) indicates that approved county collaborations can be found in the food assistance change transmittal letters, which can be found in the [food assistance certification manual](https://emanuals.jfs.ohio.gov/CashFoodAssist/FACM/) at the ODJFS website.

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

2. Defiance/Paulding Consolidated Department of Job and Family Services is a combination of Defiance and Paulding Counties, and it is operating on a 12/31 federal fiscal year end.

**Additional information:**

• Counties cannot adopt policies to broaden or restrict programs.

 Specifically, CHIP and Medicaid programs, eligibility of recipients or services provided. Counties must follow the State Plan. The State Plan is available on the [ODM website](http://medicaid.ohio.gov/MEDICAID101/MedicaidStatePlan.aspx).

• The state has adopted statutes (in the Ohio Revised Code) and rules (in the Ohio Administrative Code) that implement the federal IV-D program requirements as the federally required state plan (see 45 CFR 302). These state statutes and rules provide guidance to the CSEAs regarding their activities. Local programmatic discretion is generally limited to their decisions the enforcement of support obligations.

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

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

The County JFS receives different types of Funding:

1. Mandated Share - not applicable for all grants.

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

Per [OAC 5101:9-6-31](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-31.stm), Commissioners are required to appropriate the County Share of Public Assistance Expenditures and the Mandated Share Budget. The County’s total Mandated Share Budget is limited to a maximum of 105% of the county’s preceding SFY mandated share.

2. Federal Allocation – There are two ways federal monies are allocated by the State:

• Allocation specific to the grant – Adoption, Foster Care, Childcare Block Grant, Social Services Block Grant and TANF receive allocations specific to their grants. These allocations are based on mandated methodology guidelines, including demographics, expenditure information pulled from CFIS, etc. There are no local requirements for the calculating or receiving of these allocations. The County receives notification of their grant allocation from ODJFS via the CFIS web system.

• Social Services Block grant receives a Title XX Federal social services allocation ([OAC 5101:9-6-12](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-12.stm), [OAC 5101:9-6-12.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-12-1.stm) and [OAC 5101:9-6-12.4](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-12-4.stm)).

• Adoption Assistance receives an initial pass-through Title IV-E allocation as described below for Title IV-E services. There is no cap on these dollars. Counties are reimbursed based on reported expenditures.

• Adult Protective Services (APS) Allocations are addressed in [OAC 5101:9-6-14](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-14.stm).

• Adult services and family services training allocation are administered through [OAC 5101:9-6-14.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-14-1.stm).

• Childcare Block Grant receives Childcare Funding Allocation for the administrative costs of providing publicly funded childcare. (See [OAC 5101:9-6-11](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11.stm) & [5101:9-6-11.2](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11-2.stm)). These allocations consist of Federal monies. Once those allocations are exhausted, the county must use other allowable federal, state or local monies to administer the program.

• Foster Care receives a Title IV-E allocation for Title IV-E services on a reimbursement basis.

• ODJFS issues initial pass-through allocations based on the greater of:

a. The average expenditures of the last two years reported expenditures: or

b. The total of the last four completed quarters’ reported expenditures.

An agency with no reported expenditures over either time period will receive a minimum budget ([OAC 5101:9-6-44](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-44.stm)). An agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web. This section does not apply to allocations issued pursuant to [OAC 5101:9-6-11](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11.stm) & [5101:9-6-11.2](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11-2.stm).

3. Income Maintenance (State Allocation 600-652 monies)

County JFS also receives Income Maintenance (IM) monies. These are State monies County JFS can use to meet matching requirements or reimburse the county for administrative expenditures incurred in the administration of certain programs (See Section A of this document). There are two IM allocations. One allocation for administrative expenditures incurred in the administration of the supplemental nutrition assistance program (SNAP), and a separate allocation for medical assistance (MA) including the Medicaid program and the state children's health insurance program (SCHIP) on behalf of the Ohio Department of Medicaid. IM amounts for each county are also entered into CFIS as budgets by ODJFS. County JFS offices can request to move funding between the allocations. The request must be submitted to ODJFS no later than the last day of the liquidation period. A County JFS may also elect to transfer all or a portion of its IM allocations to the CSEA. Clarification on the two separate IM allocations is included in [OAC 5101:9-6-05](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-05.stm).

Non-Emergency Transportation (NET), Pregnancy Related Services and Healthchek Services Funding Rule is under [OAC 5101:9-6-44.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-44-1.stm).

[OAC 5101:9-6-05](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-05.stm) states that Federal SCHIP funding is passed through to the CDJFS at the current Affordable Care Act's (ACA) enhanced federal MA percentages. The CDJFS may move eligible expenditures in excess of this allocation to the county's income maintenance (IM) allocation by performing a coding adjustment. The state share will be charged to the county's IM allocation and the federal share will be charged to the federal Medicaid pass-through funding. If a county exceeds the IM allocation, the CDJFS shall provide matching funds in order to qualify for federal pass-through funding.

[OAC 5101:9-6-05](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-05.stm)(I) states the CDJFS may provide all or a portion of its IM allocations to the CSEA for use in meeting matching funding requirements for the Title IV-D program or to reimburse the county for administrative expenditures incurred in the administration of the child support program.

4. Program Specific State Allocations

In addition to their County JFS allocations, there are two opportunities for County agencies to release or receive monies: 1) In accordance with 5101:9-6-82 of the Administrative Code, county agencies can swap funds with other counties, (this process must be approved by evidence of County Commissioners sign off) which goes through ODJFS to change the allocations in CFIS; or 2) In accordance with 5101:9-6-02 of the Administrative code, there are at least 2 opportunities in the fiscal year in which they can apply for additional funds or release excess funds for re-distribution to other counties. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties; however, the pass-through allocations are not included in either process. ODJFS changes the allocation in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be the reason any such re-allocations in the system. Note: The Ohio Department of Job and Family Services developed a process to allow for specific allocated funds to be exchanged between counties. The process is detailed in rule [5101:9-6-82](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-82.stm) of the Administrative Code.

For most grants, the County JFS can draw down funds on a weekly basis from the ODJFS. However, federal grants received by the Public Children Services Agency (PCSA) (Adoption Assistance and Foster Care) are reimbursement grants. The County JFS agency draws down an advance of funds for anticipated needs. Quarterly adjustments are made for the differences between funds drawn and actual expenditures.

County JFS submit quarterly data via CFIS. There is a quarterly reconciliation process performed by ODJFS. See [OAC 5101:9-7-01](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01.stm) and [5101:9-7-01.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01-1.stm) for additional information on the financing, reconciliation and closeout procedures for PCSA grants. See [OAC 5101:9-7-03](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03.stm) and [OAC 5101:9-7-03.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03-1.stm) for additional information on the financing, reconciliation and closeout procedures for PA Grants. See [OAC 5101:9-7-02](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-02.stm) and [5101:9-7-02.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-02-1.stm) for additional information on the financing, reconciliation and closeout procedures for CSEA Grants. Auditors should review these sections for specific details on this process. Counties are still required to submit monthly financial data as an upload in CFIS no later than the eighteenth day of the month following the month of the transaction ([OAC 5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm)).

The reconciliation process with CFIS Web is reflected in [OAC 5101:9-7-01.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01-1.stm), [OAC 5101:9-7-02.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-02-1.stm) and [OAC 5101:9-7-03.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03-1.stm). The CDJFS has access to system reporting throughout the quarter in order to make ongoing adjustments/corrections. County JFS enters expenditures monthly into CFIS Web and submit to OAKS quarterly. The CDJFS is given five business days after the eighteenth day of the month following the last month of the quarter to review reports for accuracy. No later than five business days after the eighteenth day of the month following the last month of the quarter, the CDJFS shall submit any final adjustments and/or revisions to OAKS. When the eighteenth day of the month falls on a weekend or state recognized holiday, the CDJFS shall submit on the first business day following the weekend or recognized holiday. Once the five-day review period is complete, ODJFS suspends reporting access in OAKS for the closing quarter in order to begin the quarter reconciliation process. The CDJFS can complete adjusting draws in CFIS prior to the end of the five-day review period. The Ohio department of job and family services (ODJFS) notifies the CDJFS when the quarter reconciliation process is completed. The CDJFS shall review reports for accuracy and immediately notify ODJFS of any discrepancies. ODJFS reconciles refunds and collections at the end of each quarter. ODJFS reconciles state funded allocations and federally funded subgrants at the end of their period. The period of performance includes the funding period and the liquidation period.

OAC 5101:9-7-29 states that once the quarter is closed and complete, the CDJFS submits their signed quarterly financial statement of expenditures to ODJFS via e-mail by the 10th day of the second month following the quarter the statement represents.

The CFIS Web system does not link information into the county auditor’s expenditure ledgers. Counties can manually reenter the information, or they may use a computer program for this upload process. Auditors should check to see if the information uploads to the County Auditor’s system accurately by reconciling Form 2827 to the County Auditor’s & JFS records.

See [FAPL No. 34](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/FAPL/FAPL-34.stm), Abnormal or Mass Severance Pay regarding costs associated with county lay-off of staff.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Testing Considerations

Since each County could conceivably have a different plan with varying eligibility requirements, services offered, etc., there is no effective way to incorporate testing for all Counties in this FACCR. In addition, Counties can amend their plan at will. Auditors will need to tailor this FACCR in accordance with the plan(s) in effect during their audit.

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

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

These reports are in CFIS Web.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

*For an overview of requirements tested by program at the state level, see* [*JFS list of Programs and Applicable Requirements 2023*](https://ohioauditor.gov/references/docs/JFS_List_Programs_and_Applicable_Requirements_2023.xlsx).

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

**Computer Systems**

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

* SACWIS - SACWIS is the statewide computer application use in support of day-to-day child welfare job tasks. The acronym “SACWIS” stands for Statewide Automated Child Welfare Information System.

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

SACWIS is used at the county level to:

* + Document intake and case information;
	+ Determine IV-E eligibility and reimbursement;
	+ Maintain services;
	+ Manage provider information, licensing, and payments;
	+ Process adoptions and subsidies;
	+ Make payments to private agencies, and
	+ Maintain private agency service contracts.
* Statewide automated eligibility system - Used primarily to determine eligibility and benefit amounts for Food Assistance, TANF, SCHIP, Childcare and Medicaid; and generates the voucher summary detail for these programs. It also maintains data entered by the case workers related to the recipients and their cases. Through an interface the data is sent to another system, Time, Attendance and Payment (TAP) system. ODJFS website gives specific statewide automated eligibility system reporting tools for County PRC programs at <https://jfs.ohio.gov/cash-food-and-refugee-assistance/cash-assistance/cash-programs/prevention-retention-and-contingency-prc-program/web-reporting-tool>.
* TAP tracks attendance and calculates the amount to be paid to the childcare program. Through another interface TAP sends data back to Ohio Finance Information System (OFIS). Payments are made to programs through OAKS.
* Title XX Social Services Block Grant (SSBG) Reporting System - Pursuant to 45 C.F.R. part 96, states are required to report services provided by the CDJFS, using federal, state or local social services funds. The CDJFS may provide services through compact services, direct services, purchased services, or grant agreements as defined in rule 5101:2-25-02 of the Administrative Code. The purpose of the SSBG quarterly summary reporting system is to collect social services expenditure data by county each quarter in order to complete annual federal reporting as mandated in 42 U.S.C. 1397e. Each CDJFS shall enter required service and expenditure data in the SSBG reporting system no later than the thirtieth day of the month following the last month of the quarter, e.g., October thirtieth for the July through September time period.
* CFIS – (County Finance Information System) July 1, 2009, County JFS finance offices began using CFIS, which drives the financial reporting (Forms 2827, 2750, and 2820, RMS activity, etc.). The CFIS application became a web-based application in 2012. The current and archived CFIS information can be accessed at the County JFS site. At the county level, financial data is imported (pulled) from templates or from interfaced systems like WebRMS into the CFIS Web reporting system. Information flows from the county system through CFIS and up to OAKS. Each grant is coded separately. ODJFS has a spreadsheet for coding in CFIS. ODJFS updates this information each year.

*DITA will be testing CFIS Web (including the RMS System used to track Random Moment Sampling activity and allocation of program expenditures). A recap of that work performed, and any user control considerations will be sent out when available for 2023.*

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

* County JFS fiscal offices use CFIS Web to record their expenditures. However, this system does not link the information into the county auditor’s expenditure ledgers. The counties can manually reenter the information, or they may use a computer program for this upload process. The State Region does not look at these types of programs. In 2015 ODJFS made available to its subrecipients the CFIS Web Ledger Reporting (LR) system.
* The list of allowable PAA's has been added to several times since BCFTA update # 2011-17 was issued on 3-24-11, the new CFIS Web Report CR112 shows all the valid PAA’s, and agencies can print this report.
* With the implementation of CFIS Web, ODJFS has developed a new process to replace the function of the Configuration File. The new process is called “Adjustment to a Prior Period Allocated and Approved Expenditure” or APAA. Agencies will utilize this process in instances where an adjustment needs to occur and direct coding is not available (i.e. audit, ERIP, and errors). This process can be initiated by the local agency or by ODJFS and is recorded on form JFS 01179.

ODJFS does not grant auditors of County JFS programs access to the JFS systems. ODJFS encourages County JFS offices to cooperate with audit requests.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### 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*

States have general flexibility in allocating their individual allotments toward activities needed to operate the CHIP (section 2105 of the Act (42 USC 1397ee(a)). In addition to expenditures for child health assistance under the plan for targeted low-income children, other allowable activities, to the extent permitted by 42 USC 1397ee(c), include payment of other child health assistance for targeted low-income children; expenditures for health services initiatives for improving the health of children (targeted and other low income) under the plan; expenditures for outreach activities; expenditures for translation or interpretation services in connection with the enrollment of, retention of, and use of services under Title XXI by individuals for whom English is not their primary language (as found necessary by the Secretary for the proper and efficient administration of the state plan); and other reasonable costs incurred by the state to administer the plan (42 USC 1397ee).

**Managed Care**

A state may use managed care for the delivery of some or all its CHIP benefits and services for either all or a subset of the CHIP populations served under the CHIP state plan. Under managed care, the delivery of benefits and services are through contracted arrangements between state CHIP agencies and managed care plans that accept a set per member per month (capitation) payment for the services.

States must comply with the managed care regulations at 42 CFR Part 457, Subpart L, for utilization of a managed care delivery system. These regulations align CHIP rules with those of other health insurance coverage programs, such as Medicaid and the Marketplace, to reflect how states purchase managed care for beneficiaries and to strengthen the consumer experience and key consumer protections.

CHIP managed care guidance can be found at <https://www.medicaid.gov/chip/managed-care/index.html>.

**Health Services Initiatives (HSI)**

Under section 2105(a)(1)(D)(ii) of the Act (42 USC 1397ee(a)(1)(D)(ii)), states have the option to develop state-designed HSIs that improve the health of low - income and targeted low-income children. Under implementing regulations at 42 CFR § 457.10, HSIs are activities that protect the public health, protect the health of individuals, improve or promote a state’s capacity to deliver public health services, or strengthen the human and material resources necessary to accomplish public health goals related to improving the health of children. HSIs may also be directed at low-income pregnant women or parents; however, HSIs may only provide services for adults if the project directly improves the health of children.

Federal funding for HSIs is expended from a state’s available CHIP allotment for a fiscal year. Under section 2105(c)(2)(A) of the Act (42 USC 1397ee(c)(2)(A)), claims for HSIs and certain other expenditures such as administrative expenses cannot exceed 10 percent of the total amount of title XXI funds expended for a fiscal year, calculated as described at 42 CFR 457.618(c). . States must fund all CHIP state plan benefits before using allotment for HSIs.

HSIs are implemented through an amendment to the CHIP state plan. States’ approved HSI programs are described in section 2.2 of the CHIP state plan template. HSI budget information is provided at section 9.10 of the CHIP state plan.

CHIP HSI guidance can be found at <https://www.medicaid.gov/federal-policy-guidance/downloads/cib090420.pdf>.

**Premium Assistance**

A state may pay premiums for employer sponsored insurance on behalf of a CHIP beneficiary if it is cost effective to do so. When providing premium assistance, states must ensure that children have access to all mandatory benefits provided under the CHIP state plan, and that they are not required to incur greater out-of- pocket costs for premiums, deductibles, co-payments, or similar cost sharing charges than under the CHIP state plan. Individual state premium assistance programs are described in the CHIP state plan.

1. *Activities Unallowed*

Federal funds may not be expended under the CHIP state plan to pay for any abortion or to assist in the purchase, in whole or in part, of health benefit coverage that includes coverage of abortion, except, if necessary, to save the life of the mother or if the pregnancy is the result of incest or rape (Section 2105(e) of the Act (42 USC 1397ee(c)(7)).

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### 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.**

**ODJFS Program Specific Requirements**

**RMS**

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

* [OAC 5101:9-7-23](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-23.stm) Child Support Random Moment Sample (RMS) Time Study – See code section for tracked changes.
* [OAC 5101:9-7-20](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-20.stm) Income Maintenance, Workforce, Social Services, and Child Welfare Random Moment Sample (RMS) Time Studies – See code section for tracked changes.

See also BCFTA Web WebRMS reports at:

* [FTE Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/FullTimeEquivalentFTEManual_RevJun2021.pdf)
* [RMS Desk Guide](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSDeskGuide_2020.pdf)
* [RMS Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSManual.pdf)
* Project Account Definitions
	+ [CSEA](http://ohioauditor.gov/ipa/UniformGuidance/2023/CSEA_2750_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PA_2827_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PCSA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PCSA_2820_Project_Accts_Definitions_Nov2023.xlsx)

The RMS observations are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. Studies are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from the roster of FTEs entered into the RMS system.

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 2827 financial statements.

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

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

**RMS sample sizes required per OAC:**

**IMRMS/SSRMS/CWRMS:** [OAC 5101:9-7-20](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-20.stm)(G) – effective 12/1/2019

**CSRMS:** [OAC 5101:9-7-23](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-23.stm)(G) – effective 12/1/2019

|  |  |  |
| --- | --- | --- |
| RMS Type | Agency Size | # of Observations |
| Income Maintenance (IMRMS) | Ten County Agencies with the Largest IM Cost Pool Expenditures | Minimum of 2,300  |
| Income Maintenance (IMRMS) | All Other County Agencies | Minimum of 354 |
| Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct, WF | 1-10 Participating Positions | Minimum of 33 per worker |
| Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct, WF | 11-74 Participating Positions | Minimum of 354 |
| Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct | 75 or more Participating Positions | Minimum of 2,400 |
| Child Support (CSRMS) | 1-10 Participating positions | Minimum of 33 per worker |
| Child Support (CSRMS) | 11 or more Participating positions | Minimum of 354 |

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

*County testing will primarily consist of the following:*

* *Administrative expenses*
* *FTE/RMS/Cost pools*
* *Program Direct expenditures*

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

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

FTE reporting is accomplished on CFIS Web form CR 445.

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

These electronic reports are in CFIS Web.

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

Auditors will need to test both FTE reporting and RMS.

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

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

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### 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):****Questions that may help in documenting the above control requirements:****The County/District JFS Policies should document controls for meeting compliance requirements. Auditors should review the information provided by the County/District JFS to gain an understanding of the procedures in place.*1. Does the County/district JFS pay expenditures to the County via a CAP?
2. How does the County ensure only applicable costs are included in the CAP?
3. What procedures does the County/district JFS have in place to ensure they are only paying for allowable activities?
4. What controls does the County/district JFS have to ensure costs are not paid through the CAP and directly to the County/Fiscal Agent?
5. What procedures does the County/district JFS have in place for only allowable costs input into CFIS?
6. What procedures does the County/district JFS have to ensure administrative employees / costs are not reported as part of RMS, unless these employees provide direct services?
7. How does the County ensure that:
* Employees are properly completing the RMS observation;
* Documentation is available to support the program and activity claimed;
* Observations for absent employees are properly completed;
* FTE allocations for the shared cost pool are correct;
* Employees are assigned to the correct cost pool; and
* Employees are completing the correct RMS observation.
1. Interview the RMS Coordinator. Document RMS coordinator name and date of interview. Document any weaknesses noted. Interview could include questions such as the following:
	1. Are you familiar with the RMS procedures summarized in the [RMS User Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSManual.pdf)?
	2. What is your role in the RMS process?
	3. What do you do if you receive an RMS observation for an employee who no longer works in your office?
	4. How do you ensure the observation is filled out correctly?
	5. Have you received any special training or instructions on RMS procedures within the past 12 months?
	6. How do you complete the RMS control sample? What is the purpose of the control sample?
2. Interview case workers who participate in RMS. Document employee name and date of interview. Interview could include questions such as the following:
	* 1. Are you familiar with the RMS procedures summarized in the [RMS User Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSManual.pdf)?
		2. What do you do when you receive an observation?
			1. Complete immediately
			2. Hold until appropriate time
			3. Complete at my convenience
			4. Other (explain)
		3. What items need to be completed for the observation?
			1. What program you are working with
			2. Activity code
			3. Case number (or unique identifier)
			4. Comment section completed
 |

### Suggested 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.***Additional ODJFS Steps***5. If the client has made subawards under the program, select a representative number of awards and determine whether they were only approved for activities as identified in step 1 above. See also Section M.6. Obtain management’s explanation for any significant questionable expenditures/subawards. Analyze responses and obtain any additional documentation considered necessary.7. In conjunction with Allowable Costs/Cost Principles in Section B, determine if the disbursements met 45 CFR 75 Subpart E (2 CFR 200 Subpart E Cost Principles).Other Attributes:* Charges were properly coded.
* Voucher was properly computed.
* Invoice amount agrees to voucher amount
* Invoice date precedes voucher date.
* If a reimbursement, reimbursement was not claimed greater than 21 months following the payment of the expenditure.
* Payments can be made on behalf of eligible and non-eligible children, allowable activities and non-allowable activities per federal terms and conditions.

**CAP (see also CAP testing in Section B)**1. Summarize monthly payments to the County and review CAP for accuracy of payment. Ensure that payments made were for the current or prior period and they were within the current biennium.
2. Review CAP for reasonableness of County/district JFS expenditures.

**FTE Reporting- the roster is uploaded through the WebRMS system (See** [**OAC 5101:9-7-23**](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-23.stm) **&** [**5101:9-7-20**](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-20.stm) **for additional information.)**1. Determine if the number of FTE by program area category is consistent with the payroll in the previous quarter.
2. Select employees and determine if they are reported in the correct program area category based on documentation. (i.e. job duties, job description, personnel file, employee interview, etc.)

**RMS** 1. Determine RMS cost pools that require testing (i.e. Income Maintenance, Social Services, Child Support, Child Welfare).
2. Scan all 4 quarterly RMS Tabulation Reports to identify any indications of misuse or manipulation of RMS codes (could help determine which quarter to test in step 3):
	1. High instances of un-funded codes
	2. Large variances (over 20%) in RMS coding between quarters
	3. Distribution of RMS codes between programs
3. The information that was previously included in the County RMS Sample Reference list (the list was a recap from ODJFS of the RMS observations information input into the system by the County/district JFS) is available in the WebRMS system.
	* Determine if the required number of observations were performed.
4. Obtain RMS observations for each cost pool being tested (i.e. Income Maintenance, Social Services, Child Support, Child Welfare)

Select one sample of observations across all applicable cost pools, test for the following attributes and note any exceptions.* + 1. Observation includes a case number or other identifier.
		2. Observation includes the activity, where applicable
		3. Determine if documentation exists to substantiate the claimed program and/or activity on the RMS sample observation.
		4. Employee must respond to the observation within 48 business hours.
		5. The RMS Coordinator reviewed and approved all observation moment responses within 72 hours.
		6. If the observation had been flagged as part of the quality assurance control group, determine the supervisor/supervisor designee validated the response within the same forty-eight-hour response period that is available to the employee.   Also, determine if it was approved by the supervisor/supervisor designee, and that the response was accepted by the RMS coordinator.
		7. No unauthorized or vacant positions were included in the RMS sample.
		8. Obtain payroll listing with job titles and compare to RMS observations completed.

Review job duties from observation and / or interview with employeeMatch job activities from RMS with job descriptions in personnel file* + 1. If employee is an administrative or supervisory, determine whether they are appropriately completing the RMS observations.

Administrative support employees can participate in RMS if they provide direct services 50% of the time.Supervisory employees can participate in RMS if they provide direct services over 50% of the time.**Reminder:** Auditors should not put confidential information in the current working papers and should follow established procedures for protection of confidential information. |

### Audit Implications Summary

|  |
| --- |
| *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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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](http://ohioauditor.gov/ipa/UniformGuidance/2023/45_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](http://ohioauditor.gov/ipa/UniformGuidance/2023/Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

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

**Part 4 OMB Program Specific Requirements**

1. CHIP regulations under 42 CFR 457.628(a) make the Medicaid requirements at 42 CFR 433.50 through 433.74 regarding sources of nonfederal share and Health Care-Related Taxes and Provider Related Donations applicable to CHIP in the same manner as they apply to state Medicaid programs. Before calculating the amount of FFP, certain revenues received by a state will be deducted from the state’s medical assistance expenditures. The revenues to be deducted are (1) donations made by health care providers or related entities (except for bona fide donations and, subject to a limitation, donations made by providers for the direct costs of out-stationed eligibility workers); and (2) impermissible health care- related taxes that exceed a specified limit (Section 1903(w) of the Act (42 USC 1396b(w)); 42 CFR 433.57).
	1. “Provider-related donations” are any donations or other voluntary payments (in-cash or in-kind) made directly or indirectly to a state or unit of local government by: (1) a health care provider, (2) an entity related to a health care provider, or (3) an entity providing goods or services under the CHIP state plan and paid as administrative expenses. “Bona fide provider-related donations” are donations that have no direct or indirect relationship to payments made under Title XIX (42 USC 1396 et seq.) to the donating provider, (2) providers furnishing the same class of items and services as the donating provider, or (3) any related entity (42 CFR 433.58(d) and 433.66(b)).
	2. Permissible health care-related taxes are those taxes that are broad-based; uniformly applied to a class of health care items, services, or providers; and do not hold a taxpayer harmless for the costs of the tax. A tax program for which CMS has granted a waiver may also be considered permissible health care-related taxes. Health care-related taxes that do not meet these requirements are impermissible health care-related taxes (42 CFR 433.68(b)).

These provisions apply to the 50 states and the District of Columbia, except those states whose entire Medicaid program is operated under a waiver granted under Section 1115 of the Act (42 CFR 433.50(c)).

1. The 42 CFR 457.628(b) makes 45 CFR Part 75—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards (except as specifically excepted) applicable to the CHIP program.
2. The 42 CFR 457.1203 requires each CHIP managed care plan to calculate and report a medical loss ratio (MLR) for rating periods in CHIP managed care contracts as of the state fiscal year beginning on or after July 1, 2018. Under 42 CFR 457.1203(f), if a state elects to mandate a minimum MLR for a CHIP managed care program, that minimum MLR must be at least 85 percent.

With regard to capitation rate setting for CHIP managed care plans, under 42 CFR 457.1203(a), states must use payment rates based on public or private payment rates for comparable services for comparable populations, consistent with actuarially sound principles as defined at Section 457.10. In addition, for Medicaid and CHIP managed care plans, the rates must be developed so that the managed care plan is projected to meet an 85 percent MLR (42 CFR 457.1203(c)(1)).

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

***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.)**

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

The most significant administrative costs of the County JFS is compensation. Costs of compensation must be allocated by means of full-time equivalents (FTEs) and the RMS system, as set forth in the state cost allocation plan. The costs of providers should normally be charged directly to the benefiting program. Provider costs, including provider administrative costs, should not be charged to a cost pool as this would likely cause costs to be charged to non-benefiting programs, contrary to the federal cost allocation principles (45 CFR 75 Subpart E and 2 CFR 200 Subpart E). Costs which are readily assignable as direct costs should be charged in that manner and not charged to a cost pool, unless required by the statewide cost allocation plan. Costs, whether charged directly or indirectly, should be charged only to benefiting federal programs. Subrecipients may not be paid any amounts in excess of allowable costs, whether as a fee or any other increment. For example, where a contractor is providing both WIA and TANF program services (if it is assignable to each program), each cost should be allocated by the contractor to the appropriate program and charged as direct program costs. On the other hand, where a contractor is providing general administrative services, such as the development of an agency-wide classification system for employees and (is not assignable to individual programs), those costs are not direct program costs. As the costs benefit all programs within the agency, they should be charged to the shared cost pool.

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

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

Auditors should be alert for the following:

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

County family services agencies are not authorized under Ohio law to hold title to real properly; however, joint county departments of Job and Family Services organized under ORC § 329 can hold title to real property. The agencies routinely rent or lease (for federal grants management purposes, the terms are interchangeable) the facilities necessary for their operation. Rental costs are allowable costs to federal programs under 45 CFR 75.465 (2 CFR 200.465). 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.

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

If the County JFS rents facilities from the board of county commissioners, they are subject to additional restrictions under 45 CFR 75.465 (2 CFR 200.465). As the county family services agency and the board of county commissioners are “related parties,” a rental transaction between the two is considered a “less-than-arm’s-length” transaction. As a result, allowable rental costs are limited to the amount that would be allowed had title to the property vested in the governmental unit; i.e., depreciation, maintenance, taxes and insurance. If the lease amount is tied to a bond schedule for the repayment of the county’s indebtedness on the building in question, this amount may be more than the allowable rental costs under 45 CFR 75.465 (2 CFR 200.465), and the excessive amount would not be an allowable cost to federal programs.

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

See also [OAC 5101:9-4-11](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-11.stm), Rental Costs and Lease Agreements for the rule governing this requirement.

Note: ORC § 329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to import testing procedures from the General boilerplate FACCR. Also keep in mind costs incurred for the acquisition of buildings and land, as “capital expenditures,” are unallowable as direct charges, except where approved in advance by the awarding agency. See 45 CFR 75.318, 75.343 and 75.439 (2 CFR 200.311, 200.329 and 200.439).

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### 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 in such cases consist 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**

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| *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

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| --- |
| 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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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

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| *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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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 \_\_\_\_\_\_\_\_\_\_**
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## 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** – *OMB requirements are tested at the State level. See ODJFS requirements below.*
2. **Level of Effort**

**2.1 Level of Effort – Maintenance of Effort** – *OMB requirements are tested at the State level.*

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

1. **Earmarking –** *OMB requirements are tested at the State level.*

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### 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 CHIP, administrative expenses Federal share varies each quarter and/or Federal Fiscal year. For the October-December 2023 quarter, the Federal Share is 76.06% so the County JFS would be reimbursed 76.06% from the Federal share and use 23.94% from State (IM) or use local monies for match requirements. When the County requests funding, the required match of IM funding is automatically sent with the Federal share (until the IM allocation is exhausted). This IM allocation is programmed into CFIS so auditors are not required to test the IM allocation. The amount of Federal funding is unlimited as long as the County can provide the matching funds.

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

*(Source: Megan Powell, Bureau of Program Integrity Chief, Ohio Department of Medicaid, December 2023)*

### 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. *Matching* – Determine whether the minimum amount or percentage of contributions or matching funds was provided.

3. *Level of Effort* – Determine whether specified service or expenditure levels were maintained.

4. *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**

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| *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

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| 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**a. Perform tests to verify that the required matching contributions were met.b. Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source.c. Test records to corroborate that the values placed on in-kind contributions (including third party in-kind contributions) are in accordance with 2 CFR 200.306, 200.434, and 200.414, and the terms and conditions of the award.d. Test transactions used to match for compliance with the allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable costs/cost principles.**2. Level of Effort -** *OMB requirements are tested at the State level.***3. Earmarking -** *OMB requirements are tested at the State level.* |

### Audit Implications Summary

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| *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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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 \_\_\_\_\_\_\_\_\_\_**
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## 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**

The availability of allotment amounts determined under section 2104(m) of the Act for FY 2009 and each fiscal year thereafter, shall remain available for expenditure by the state through the end of the succeeding fiscal year as provided under section 2104(e) of the Act. (i.e., the year of award and one subsequent fiscal year) (42 USC 1397dd(e)).

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### 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.**

**Period of Performance and Liquidation**

Agencies may occasionally have 2 grants open at the same time. (Example: Both TANF FFY 23 and TANF FFY 24 will be available during the Oct 2023 – Dec 2023 quarter.) It is important for agencies to consider the period of performance and the liquidation period of those grants, as entered into CFIS, in order to make the appropriate grant choice during this time.

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

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

Because of the two-year time limit, agencies have the option of posting expenditures incurred prior to 9/30/23 (and after 10/1/22) to either the FFY 23 grants or FFY 24 grants. Expenditures may be charged to a future grant (within 2 years) but cannot be charged to a grant that is past its period of performance.

* Agencies are encouraged to utilize FFY 23 allocation balances by completing a Post Allocated Adjustment (PAA) for expenditures that occurred for services as of 9/30/2023.
* Agencies may not, under any circumstances, post expenditures incurred after 9/30/23 to a FFY 23 grant. FFY 23 grants must be used for expenditures incurred on or after the beginning of the new FFY (10/1/23).

**Grant Funding Period and Liquidation**

ODJFS communicates the funding period and liquidation period through the county finance information system (CFIS). The CDJFS can incur services through the funding period and disburse and report expenditures no later than the end of the liquidation period.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### 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**

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| *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)*:***Questions that may help in documenting the above control requirements:***1. What procedures does the County/district JFS have in place to report expenditures within two years after the expense incurred?
2. What procedures does the County/district JFS have in place for coding adjustments submitted to ODJFS one quarter prior to the end of the two-year period?
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### Suggested Substantive Audit Procedures – Compliance

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| 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

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| *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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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 \_\_\_\_\_\_\_\_\_\_**
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## 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*

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR 200.329(c)(1)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting is only included in Part 4, “Agency Program Requirements” and Part 5, “Clusters of Programs,” if such reporting has been identified by a federal agency as subject to audit. Further, compliance testing of performance and special reports is only required for data, identified by agencies in parts 4 and 5 as key line items, that are quantifiable and are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

Performance and special reports in parts 4 and 5 are assumed to meet the above criteria. However, if an agency does not identify key line items for a performance or special report, auditors are only required to test that the report was submitted in a timely manner and no other procedures are required. Similarly, if key line items are identified in parts 4 and 5 that would not be quantifiable and capable of evaluation against objective criteria (e.g., narratives, futuristic information, information that would require verification at the program beneficiary level), auditors are not required to perform testing of such items.

**Federal Funding Accountability and Transparency Act**

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). In accordance with OMB Memorandum M-20-21, Implementation Guidance for Supplementing Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19), existing Transparency Act subaward reporting requirements may be leveraged to meet the transparency requirements outlined in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Information input to FSRS is available at USASpending.gov as the publicly available website for viewing this information (<https://www.usaspending.gov/search>).

Where the Reporting type of compliance requirement is marked as a “Y” in the Part 2 Matrix of Compliance Requirements, indicating it is subject to audit, auditors must test the compliance with the reporting requirements of 2 CFR Part 170 using the guidance in this section when the auditor determines Reporting to be direct and material and the recipient makes first tier awards.

*Federal Funding Accountability and Transparency Act*

Aspects of the Transparency Act that relate to subaward reporting (1) under grants and cooperative agreements were implemented in OMB in 2 CFR Part 170 and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR at 5 FR 39414 et seq., July 8, 2010). The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR Part 170 and the FAR. The guidance at 2 CFR Part 170 currently applies only to federal financial assistance awards in the form of grants and cooperative agreements (e.g., it does not apply to loans made by a federal agency to a recipient), however the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

As provided in 2 CFR Part 170 and FAR Subpart 4.14, respectively, federal agencies are required to include the award term specified in Appendix A to 2 CFR Part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act.

Consistent with the OMB guidance,

• 2 CFR Part 170 “subaward” has the meaning given in 2 CFR 200.1 and means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

• [FAR 52.204-10(a)](http://ohioauditor.gov/ipa/UniformGuidance/2023/FAR_52.204-10.pdf) defines “first-tier subcontract” to mean a subcontract awarded directly by a contractor to acquire supplies or services (including construction) for performance of a prime contract, but excludes the contractor’s supplier agreements with vendors, such as long-term arrangements for materials or supplies that benefit multiple contracts or the costs of which would normally be applied to a contractor's general and administrative expenses or indirect cost.

While 2 CFR Part 170 and the FAR implement several distinct Transparency Act reporting requirements, including reporting of executive compensation, the Supplement addresses only the following requirements: (1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of $30,000 or more in federal funds; and (2) contractor reporting of each first-tier subcontract award of $30,000 or more in federal funds (this requirement was phased in based on the value of the new prime contract as specified below under “Effective Date of Reporting Requirements”).

*Reporting Site*

Grant and cooperative agreement recipients and contractors are required to register FSRS and report subaward data through FSRS. To do so, they will first be required to register in the System for Award Management (SAM) (if they have not done so previously for another purpose (e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in SAM. Information input to FSRS is available at USASpending.gov as the publicly available website for viewing this information (<https://www.usaspending.gov/search> ).

*Key Data Elements*

Compliance testing of the Transparency Act reporting requirements must include the following key data elements about the first-tier subrecipients and subawards under grants and cooperative agreements.

|  |  |
| --- | --- |
| **Subaward Data Element** | **Definition** |
| Subawardee Name | This is the Sub-Awardee’s Name |
| Subawardee DUNS # | The subawardee organization’s nine-digit Data Universal Numbering System (DUNS) number. |
| Amount of Subaward | The net dollar amount of federal funds awarded to thesubawardee including modifications. |
| Subaward Obligation/Action Date | Date the subaward agreement was signed. |
| Date of Report Submission | Date the recipient entered the action/obligation into FSRS. |
| Subaward Number | Subaward number or other identifying number assigned by the prime awardee organization to facilitate the tracking of itssubawards. |
| Subaward Project Description | Describes the subaward project. |
| Subawardee Names and Compensation of HighlyCompensated Officers | Names of officers if thresholds are met. |

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**
	1. SF-270, Request for Advance or Reimbursement – *Not Applicable*
	2. SF-271, Outlay Report and Request for Reimbursement for Construction Programs – *Not Applicable*
	3. SF-425, Federal Financial Report – *Applicable for cash status; Not Applicable for expenditure reporting*
	4. CMS-21, Quarterly Children’s Health Insurance Program Statement of Expenditures for Title XXI (OMB No. 0938-0731) - *OMB requirements are tested at the State level. See ODJFS testing steps below.*

*Key Line Items* – The following line items contain critical information:

* + 1. CMS-21 Base – The CMS-21 consists of three parts: CMS-21 Base, CMS-21B, and CMS-21C. Only CMS-21 Base is expected to be tested for compliance.
1. **Performance Reporting** – *Not Applicable*
2. **Special Reporting** – *Not Applicable*
3. **Special Reporting for Federal Funding Accountability and Transparency Act** – *OMB requirements are tested at the State level.*

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, AL #93.767 Children’s Health Insurance Program (CHIP))*

### 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.**

[OAC 5101:9-7-01](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01.stm),[5101:9-7-01.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01-1.stm), [OAC 5101:9-7-03](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03.stm) and [5101:9-7-03.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03-1.stm), provide guidance on the financing, cash management, quarterly reconciliation, and grant closeout procedures in [OAC 5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm). ODJFS reimburses the PCSA quarterly for allowable expenditures when the quarterly reconciliation is finalized. Public Assistance (PA) funds are determined quarterly and disbursed weekly to the County JFS, upon receipt of the county cash draw request for funds. Available funds are limited by state appropriation and federal grant awards. All payments are issued via electronic funds transfer (EFT). County JFS shall report receipt of revenue, disbursements of funds and provide documentation to justify the allocation of costs and various funds by the submission of the Income Maintenance RMS – Random Moment Sample Observations or the Social Services Random Moment Sample Observations. A state expenditure reconciliation report of the PA data subset is prepared quarterly to show a summary of net expenditures and receipts. The county agency is given the opportunity to review the reconciliation (over / under) reports for accuracy. The quarterly fund reconciliation review requirement is intended to correct instances where ODJFS or the county agency discover errors, i.e. incorrect splits of shared costs or wrong allocations, incorrect time study codes, and/or codes and expenditures. Quarterly close - The funds are reconciled each quarter based on the final reconciliation reports.

To reflect the most current funding practices available, in [OAC 5101:9-7-06](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-06.stm) titled "Reporting Collections and Earnings on Erroneous Payment Recoveries" which includes information on the earnings for the recovery of erroneous payments in addition to current reporting procedures.

* Project Account Definitions
	+ [CSEA](http://ohioauditor.gov/ipa/UniformGuidance/2023/CSEA_2750_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PA_2827_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PCSA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PCSA_2820_Project_Accts_Definitions_Nov2023.xlsx)

The Rule governing county collections is as follows.

[OAC 5101:9-7-06](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-06.stm) Reporting Collections and Earning on Erroneous Payment Recoveries

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

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

1. Disability Financial Assistance (DFA) – *Not Applicable to CHIP*

2. Temporary Assistance for Needy Families (TANF) or Ohio works first (OWF), defined as a cash benefit issued on or after October 1, 1996 - *Not Applicable to CHIP*

3. Aid to Dependent Children (ADC) - *Not Applicable to CHIP*

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

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

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

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

5. Food Assistance (FA) - *Not Applicable to CHIP*

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

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

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

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

(4) Cancellations, collections, refunds, or other childcare receipts;

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

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

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

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

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

In order for ODJFS to prepare the financial reports required, they must obtain financial information from the counties. The JFS report is generated in CFIS web, however the County Auditor still needs to sign and certify the final report. If the report generated from CFIS web is not signed is not considered final. See [OAC 5101:9-7-01](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01.stm), [OAC 5101:9-7-03](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03.stm), [5101:9-7-03.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03-1.stm) & [5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm).

Tests related to reporting at the county level will be limited to the specific agency form and include the following:

1. The Agency director must certify the accuracy and disbursements amounts, then submit the quarterly financial statement to the county auditor for signature.

2. The signed quarterly financial statement shall be submitted to electronically ODJFS (BCFTA) no later than the 10th day of the second month following the quarter the report represents. ([OAC 5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm)(C)(2)(c)).

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

The Counties are also required to include cash or benefit overpayments. Counties retain benefit recoveries monies (incentive monies) and report quarterly to offset future draws from ODJFS.

* Project Account Definitions
	+ [CSEA](http://ohioauditor.gov/ipa/UniformGuidance/2023/CSEA_2750_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PA_2827_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PCSA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PCSA_2820_Project_Accts_Definitions_Nov2023.xlsx)

Counties are still required to submit monthly financial data as an upload in CFIS no later than the eighteenth day of the month following the month of the transaction (see [OAC 5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm))

Counties can also receive sliding scale fees for such things as elder care (check applicable county plan). If the County does accept monies, they should have established fee collection procedures. Counties enter these monies into CFIS and like recoveries, report quarterly on the appropriate form and offset future draws from ODJFS.

Auditors should test the ODJFS 02827 Form, ODJFS 02750 Form, or ODJFS 02820 Form in conjunction with other programs also reported on the Form.

* Forms and instructions:
	+ [2827](https://www.odjfs.state.oh.us/forms/num/JFS%2002827/)
	+ [2820](https://www.odjfs.state.oh.us/forms/num/JFS%2002820/)
	+ [2750](https://www.odjfs.state.oh.us/forms/num/JFS%2002750/)

Programs reported on the ODJFS 02827 Quarterly Financial Statement Public Assistance Fund Certification Sheet:

* Medicaid
* CHIP / SCHIP
* Food Assistance / SNAP
* TANF
* Childcare Cluster
* Social Service Block Grant

Programs reported on the ODJFS 02820 Quarterly Financial Statement Public Assistance Fund Certification Sheet:

* Foster Care
* Adoption

Program reported on the ODJFS 02750 Quarterly Financial Statement Public Assistance Fund Certification Sheet:

* Child Support

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### 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**

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| *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

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| **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**Testing is only required for data identified by the federal agency as key line items in the Part 4 OMB Program Specific Requirements section above. If an agency does not identify key line items auditors are only required to test that the report was submitted in a timely manner. If the program is not included in Part 4 of the OMB Compliance Supplement, auditors will need to review the grant agreement to determine applicability.*(1) Review the supporting records and ascertain if all applicable data elements were included in the sampled reports. Trace the reported data to records that accumulate and summarize data.(2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.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.***Additional ODJFS Steps*****ODJFS 02827, 02750, or 02820:*** + - 1. Based on the results of the test of controls, select the quarterly ODJFS 02827, 02750, or 02820 reports and perform the following:

Review each report to determine if:* All amounts reported are traceable to appropriate supporting documentation and appear to be coded properly.
* All amounts reported agree to the Quarterly CFIS reconciliation from ODJFS.
* All amounts reported agree to the County Auditors/fiscal agents records.
* JFS Form 02827, 02750, or 02820 was signed by County Auditor/fiscal agent and Director and imported into CFIS Web no later than the tenth calendar day of the second month following the quarter the report represents.

**Other**1. Determine if the County/district JFS reviewed the grant reconciliation (over / under) report and responded to ODJFS.2. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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| *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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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.)

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

Per paragraph 13.39 of the **AICPA Single Audit Guide**, 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](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_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*](http://ohioauditor.gov/ipa/UniformGuidance/2023/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.*

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 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.

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