**Federal Awards Compliance Audit Guidance and Testing**

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

|  |  |
| --- | --- |
| **FEDERAL AWARD NAME:** | Medicaid Cluster (Title XIX) |
| **CFDA#:** | #93.775/93.777/93.778 |

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

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

# Important Information (please read)

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

**NAVIGATION PANE**

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

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

**UG vs Non- UG**

This FACCR was written using UG requirements, however:

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

# AGENCY ADOPTION OF THE UG AND EXAMPLE CITATIONS

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

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

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

*(Source: AOS CFAE)*

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# Introduction: Materiality by Compliance Requirement Matrix

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

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

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

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

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

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

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

*Note:*

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

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

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

*(Source: AOS CFAE)*

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

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

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

**Medical Assistance Program**

The objective of the Medical Assistance Program (Medicaid or Title XIX of the Social Security Act, as amended, (42 USC 1396 *et seq*.)) is to provide payments for medical assistance to low- income persons.

**State Medicaid Fraud Control Units**

States are required as part of their Medicaid State plans to maintain a State Medicaid Fraud Control Unit (MFCU), unless the Secretary of HHS determines that certain safeguards are met regarding fraud and abuse and waives the requirement. The mission of the MFCUs is to investigate and prosecute fraud by Medicaid providers. The State MFCUs also review complaints alleging abuse or neglect of patients in health care facilities receiving payments under the State Medicaid plan, and may review complaints of misappropriation of patients’ private funds in such facilities. States are required to refer all suspected violations of applicable Medicaid laws and regulations by providers to the MFCU. Federal requirements for the establishment and continued operations of the units are contained in 42 USC 1396b(a)(6), 1396b(b)(3), and 1396b(q); and 42 CFR part 1007. A key requirement of the governing regulations is that a unit must be a single identifiable entity of State government.

The HHS Office of the Inspector General (OIG) is the agency responsible for the Federal oversight of the State MFCUs. In order to receive the Federal grant funds necessary to sustain their operations, the units must submit a re-application for Federal assistance to the OIG on an annual basis.

**State Survey and Certification of Health Care Providers and Suppliers**

The objective of the State Survey and Certification of Health Care Providers and Suppliers program is to determine whether the providers and suppliers of health care services under the Medicare program are in compliance with regulatory health and safety standards and conditions of participation/coverage. For certain types of providers, compliance with these health and safety standards also are required as a condition of Medicaid participation, and the Medicaid program contributes to covering program costs accordingly. This program is administered in a manner similar to Medicaid and includes an approved State plan that addresses Federal requirements.

Even though the State MFCUs and State Survey and Certification of Health Care Providers and Suppliers have substantially less Federal expenditures than the Medicaid Assistance Program, they are clustered with Medicaid because these programs provide significant controls over the expenditures of Medicaid funds. It is unlikely that the expenditures for these two programs would be material to the Medicaid cluster; however, noncompliance with the requirements to administer these controls may be material.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### II. Program Procedures

The following paragraphs are intended to provide a high-level, overall description of how Medicaid generally operates. It is not practical to provide a complete description of program procedures because Medicaid 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**

The U.S. Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS) administers the Medicaid program in cooperation with State governments. The Medicaid program is jointly financed by the Federal and State governments and administered by the States. For purposes of this program, the term “State” includes the 50 States, the District of Columbia, and five U.S. Territories: Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. Medicaid operates as a vendor payment program, with States paying providers of medical services directly. Participating providers must accept the Medicaid reimbursement level as payment in full. Within broad Federal rules, each State decides eligible groups, types and range of services, payment levels for services, and administrative and operating procedures.

*State Plans*

States administer the Medicaid program under a State plan approved by CMS. The Medicaid State plan is a comprehensive written statement submitted by the State Medicaid agency describing the nature and scope of its Medicaid program. A State plan for Medicaid consists of preprinted material that covers the basic requirements, and individualized content that reflects the characteristics of each particular State’s program. The State plan is referenced to the applicable Federal regulation for each requirement and will contain references to applicable State regulations.

The State plan contains all information necessary for CMS to determine whether the State plan can be approved to serve as a basis for determining the level of Federal financial participation in the State program. The State plan must specify a single State agency (hereinafter referred to as the “State Medicaid agency”) established or designated to administer or supervise the administration of the State plan. The State plan must also include a certification by the State Attorney General that cites the legal authority for the State Medicaid agency to determine eligibility.

The State plan also specifies the criteria for determining the validity of payments disbursed under the Medicaid program. This encompasses the system the State will use to ensure that payments are disbursed only to eligible providers for appropriately priced services that are covered by the Medicaid program and provided to eligible beneficiaries. Payments must also be based on claims that are adequately supported by medical records, and payments must not be duplicated.

A State plan or plan amendment will be considered approved unless CMS sends the State written notice of disapproval or a request for additional information within 90 days after receipt of the State plan or plan amendment. Copies of the State plan are available from the State Medicaid agency.

*Waivers*

The State Medicaid agency may apply for a waiver of Federal requirements. Waivers are intended to provide the flexibility needed to enable States to try new or different approaches to the efficient and cost-effective delivery of health care services, or to adapt their programs to the special needs of particular areas or groups of beneficiaries. Waivers allow exceptions to State plan requirements and permit a State to implement innovative programs or activities on a time- limited basis, and are subject to specific safeguards for the protection of beneficiaries and the program.

Actions that States may take if waivers are obtained include (1) implementing a primary care case-management system or a specialty physician system; (2) designating an entity to act as a central broker in assisting Medicaid beneficiaries to choose among competing health care plans; (3) sharing with beneficiaries (through the provision of additional services) cost-savings made possible through the beneficiaries’ use of more cost effective medical care; (4) limiting beneficiaries’ choice of providers to providers that fully meet reimbursement, quality, and utilization standards, which are established under the State plan and are consistent with access, quality, and efficient and economical furnishing of care; and (5) including as medical assistance, under its State plan, home and community-based services furnished to beneficiaries who would otherwise need inpatient care that is furnished in a hospital or nursing facility, and is reimbursable under the State plan. A State may also obtain a waiver of statutory requirements to provide an array of home and community-based services, which may permit an individual to avoid institutionalization (42 CFR part 441, subpart G). Depending on the type of requirement being waived, a waiver may be effective for initial periods ranging from 2 to 5 years, with varying renewal periods. Copies of waivers are available from the State Medicaid agency.

**Payments to States**

Once CMS has approved a State plan and waivers, it makes quarterly grant awards to the State to cover the Federal share of Medicaid expenditures for services, training, and administration. The amount of the quarterly grant is determined on the basis of information submitted by the State Medicaid agency (in quarterly estimate and quarterly expenditure reporting). The grant award authorizes the State to draw Federal funds as needed to pay the Federal financial participation portion of qualified Medicaid expenditures. The HHS Payment Management System, Division of Payment Management (PMS-DPM) in Rockville, Maryland, disburses Federal funds to States, including funding under Medicaid.

**State Expenditure Reporting**

Thirty days after the end of the quarter, States electronically submit the CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program. The CMS-64 presents expenditures and recoveries and other items that reduce expenditures for the quarter and prior period expenditures. The amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed. States use the Medicaid Budget and Expenditure System to electronically submit the CMS-64 directly to CMS.

**Eligibility – (AOS note: This is not tested at the local level)**

Eligibility for Medicaid is based on financial (e.g., income/resources) and non-financial (e.g., age, pregnancy, disability, citizenship/immigration status) criteria. The States must cover mandatory eligibility groups. States may provide coverage to members of optional groups and medically needy individuals (individuals who are eligible for Medicaid after deducting medical expenditures from their income). Eligibility criteria will be specified in the individual State plan.

States must provide limited Medicaid coverage for “Qualified Medicare Beneficiaries” (QMB). These are aged and disabled persons who are entitled to Medicare Part A, whose income does not exceed 100 percent of the Federal poverty level, and whose resources do not exceed three times the SSI resource limit, adjusted annually by the increase in the consumer price index (Section 1860D-14(a)(3)(D) of the Social Security Act (42 USC 1395w-114)).

The State plan will specify if determinations of eligibility are made by agencies other than the State Medicaid agency and will define the relationships and respective responsibilities of the State Medicaid agency and the other agencies. States must allow individuals and families to apply online, by telephone, via mail, or in person and must require that all initial applications are signed under penalty of perjury. Electronic, including telephonically recorded, signatures and handwritten signatures transmitted via any other electronic transmission must be accepted. The State agency must have facts in the case record to support the agency’s eligibility determination, including a record of having verified citizenship or immigration status for each individual. The State must provide notice of its decision concerning eligibility and provide timely and adequate notice of the basis for discontinuing assistance. (42 CFR sections 435.907, 435.913, and 435.914; 42 USC 1320b-7).

**Services – (AOS note: This is not tested at the local level)**

Medicaid expenditures include medical assistance payments for eligible recipients for such services as hospitalization, prescription drugs, nursing home stays, outpatient hospital care, and physicians’ services, and expenditures for administration and training. In order for a medical assistance payment to be considered valid, it must comply with the requirements of Title XIX, as amended, (42 USC 1396 *et seq.*) and implementing Federal regulations. Determinations of payment validity are made by individual States in accordance with approved State plans under broad Federal guidelines.

Some States have managed care arrangements under which the State enters into a contract with an entity, such as an insurance company, to arrange for medical services to be available for beneficiaries. The State pays a fixed rate per person (capitation rate) without regard to the actual medical services utilized by each beneficiary.

Medicaid expenditures also include administration and training, the State Survey and Certification Program, and State Medicaid Fraud Control Units.

**Medicare Buy-In Program – (AOS note: This is not tested at the local level)**

The Medicare Buy-In Program, also known as QMB (Qualified Medicare Beneficiary) and SLMB (Specified Low-Income Medicare Beneficiary), is designed to protect low-income Medicare beneficiaries from the significant and growing costs required to receive Medicare coverage, including out-of-pocket cost sharing expenses (deductibles and co-payments). The program connects the two largest public health programs in the country, Medicare and Medicaid, as Medicaid pays for all or part of the Medicare premium and deductible amounts for individuals who are financially eligible.

The QMB Program serves individuals with modest assets with combined incomes that do not exceed 100 percent of the Federal poverty level. For 2013, the asset limit for the QMB program is $6,680/individual and $10,020/couple. If individuals are eligible for the QMB program, the State Medicaid program pays their Medicare Part B premiums and cost-sharing amounts.

For individuals with slightly higher incomes, the SLMB Program pays only the Part B premium. To be eligible for the SLMB program, the individual/couple can have incomes between 100 and 120 percent of the poverty level. The SLMB program has the same asset limits as the QMB program.

**Maintenance of Effort**

The maintenance of effort (MOE) provisions in the Affordable Care Act generally ensure that States’ coverage for adults under the Medicaid program remains in place until January 1, 2014 and that coverage for children remains in place through September 30, 2019. Sections 1902(a)(74) and 1902(gg) of the Social Security Act require that, as a condition of receiving Federal Medicaid funding, States maintain Medicaid “eligibility standards, methodologies, and procedures” that are not more restrictive than those in effect on March 23, 2010. Certain exceptions may apply for States experiencing or projecting a deficit, which would permit Medicaid eligibility restrictions for certain non-pregnant, nondisabled adults.

**Indian Care**

Although Medicaid allows States to impose enrollment fees, premiums, and cost-sharing charges on Medicaid and Children’s Health Insurance Program (CHIP) participants, Section 5006 of ARRA precludes them from imposing these charges on Indian applicants, according to the guidance released by CMS. Medicaid regulations at 42 CFR section 447.56(a)(1)(x), which are effective January 1, 2014:

a. exempt Indians from paying enrollment fees, premiums or similar charges if they are eligible to receive or have received an item or service furnished by an Indian health care provider or through referral under contract health services (CHS);

b. exempt Indians from paying cost sharing (deductibles, coinsurance, copayments or similar charges) for Medicaid-covered services if they are currently receiving or have ever received an item or service furnished by an Indian health care provider or through referral under CHS; and

c. prohibit any reduction in payment due under Medicaid to the Indian health care provider serving an Indian (i.e., a State must pay these providers the full Medicaid payment rate for furnishing the service).

**Control Systems – (AOS note: This is not tested at the local level)**

*Utilization Control and Program Integrity*

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including those provided by long-term care institutions. In addition, the State must have (1) methods of criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials.

These requirements may be met by the State Medicaid agency assuming direct responsibility for assuring the requirements or by contracting with a quality improvement organization (QIO) (formerly known as peer review organization (PRO)) to perform such reviews. The reviewer must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services.

The State Medicaid agency must have procedures for the ongoing post-payment review, on a sample basis, for the necessity, quality, and timeliness of Medicaid services. The State Medicaid agency may conduct this review directly or may contract with a QIO.

Suspected fraud identified by utilization control and program integrity should be referred to the State Medicaid Fraud Control Units.

*Inpatient Hospital and Long-Term Care Facility Audits*

States are required to establish as part of the State plan standards and methodology for reimbursing inpatient hospital and long-term care facilities based on payment rates that represent the cost to efficiently and economically operate such facilities and provide Medicaid services. The State Medicaid agency must provide for the filing of uniform cost reports by each participating provider. These cost reports are used by the State Medicaid agency to aid in the establishment of payment rates. The State Medicaid agency must provide for periodic audits of the financial and statistical records of the participating providers. Such audits could include desk audits of cost reports in addition to field audits. These audits are an important control for the State Medicaid agency in ensuring that established payment rates are proper.

*ADP Risk Analyses and System Security Reviews*

The Medicaid program is highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment of Medicaid benefits. States are required to establish a security plan for ADP systems that include policies and procedures to address (1) physical security of ADP resources; (2) equipment security to protect equipment from theft and unauthorized use; (3) software and data security; (4) telecommunications security; (5) personnel security; (6) contingency plans to meet critical processing needs in the event of short- or long-term interruption of service; (7) emergency preparedness; and (8) designation of an agency ADP security manager.

State agencies must establish and maintain a program for conducting periodic risk analyses to ensure appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. On a biennial basis state agencies shall review the ADP system security of installations involved in the administration of HHS programs. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.

As part of complying with the above requirement, a state may obtain a Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization SOC 1 type 2 report from its service organization (if the State has a service organization). A SOC 1 type 1 report does not address the effectiveness of a service organization’s controls and would need to be supplemented by additional testing of controls at the service organization.

The specific areas covered by a SOC 1 type 2 report differ according to each individual service organization’s operations; however, in every instance, the type 2 report procedures assess the sufficiency of the design of an organization’s controls and test their effectiveness. A number of commonly covered areas include:

a. Control Environment

b. Systems Development and Maintenance

c. Logical Security

d. Physical Access

e. Computer Operations

f. Input Controls

g. Output Controls

h. Processing Controls

*Medicaid Management Information System (MMIS)*

The MMIS is the mechanized Medicaid benefit claims processing and information retrieval system that States are required to have, unless this requirement is waived by the Secretary of HHS. HHS provides general systems guidelines (42 CFR sections 433.110 through 433.131) but it does not provide detailed system requirements or specifications for States to use in the development of MMIS systems. As a result, MMIS systems will vary from State to State. The system may be maintained and operated by the State or a contractor.

The MMIS is normally used to process payments for most medical assistance services. The MMIS’ Operations Management business area supports the Claims Receipt, Claims Adjudication, and Point-of-Service subsystems to process provider claims for Medicaid care and services to eligible medical assistance recipients. The MMIS incorporates many edits and controls to identify aberrant billing practices for follow-up by State staffs. However, the State may use systems other than MMIS to process medical assistance payments. In many cases the operation and maintenance of the MMIS is contracted out to a private contractor. The State plan will describe the administration of each State’s claims-processing subsystems.

Generally, the MMIS does not process claims from State agencies (e.g., State-operated intermediate care facility for the mentally retarded (ICF/MR)) and certain selected types of claims. The claims payments that are not processed through MMIS may be material to the Medicaid program.

**Federal Oversight and Compliance Mechanisms**

CMS oversees State operations through its organization consisting of a headquarters and 10 regional offices.

CMS program oversight includes budget review, reviews of financial and program reports, and on-site reviews, which are normally targeted to cover a specific area of concern. CMS conveys areas of national and local concerns to the States through the regions. Technical assistance is used extensively to promote improvements in State operation of the program but enforcement mechanisms are available. CMS considers the single audit as an important internal control in its monitoring of States.

Federal program oversight, because of its targeted nature, should not be used as a substitute for audit evidence gained through transaction testing.

**Medicaid Program Payment Error Rate Measurement**

The regulations at 42 CFR part 431, subpart Q, specify requirements for estimating improper payments in Medicaid.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### III. Source of Governing Requirements

The auditor is expected to use the applicable laws and regulations (including the applicable State-approved plan) when auditing this program. The Federal law that authorizes these programs is Title XIX of the Social Security Act (Title XIX), enacted in 1965 and subsequently amended (42 USC 1396 *et seq*.). The Federal regulations applicable to the Medicaid program are found in 42 CFR parts 430 through 456, 1002, and 1007.

Awards under the Medical Assistance Program (CFDA 93.778) are subject to the HHS implementation of the A-102 Common Rule, 45 CFR part 92/the HHS implementation of 2 CFR part 200, 45 CFR part 75. This program also is subject to the requirements of 45 CFR part 95 and the cost principles under Office of Management and Budget Circular A-87/2 CFR part 200, subpart E.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### IV. Other Information

**Availability of Other Program Information**

The HHS OIG issues fraud alerts, some of which relate to the Medicaid program. These alerts are available from the HHS OIG home page, Special Fraud Alerts section (<https://oig.hhs.gov/compliance/alerts/index.asp>).

Up-to-date program information, including State Medicaid Director and State Health Official Letters, is available through Medicaid.gov at [http://www.medicaid.gov/Federal-Policy- Guidance/Federal-Policy-Guidance.html.](http://www.medicaid.gov/Federal-Policy-Guidance/Federal-Policy-Guidance.html)

**Other Information**

*Improper Payments*

Auditors should be alert to the following which have been identified in audit findings both as non-compliance and material weaknesses.

1. *Eligibility Determinations*

Findings related to eligibility determinations found internal control deficiencies including:

• eligibility determination and renewal were not performed timely or performed within the timeliness standards,

• lack of internal controls over obtaining adequate documentation used to support eligibility determinations,

• the data inputted into the eligibility system were not accurate,

• clients information were not verified according to the State’s verification plan, and

• program staff did not have sufficient knowledge of program requirements and policies due to high turnover and lack of training.

2. *Medicaid Claims Processing*

Findings related to Medicaid claims processing found significant weaknesses including:

• inadequate documentation to support the payments claimed in the CMS-64;

• payments reported on the CMS-64 were not readily traceable to the individual claims or information in the sub-system or the financial statements;

• inadequate internal control over utilization, fraud and accuracy of the Medicaid claims;

• lack of understanding of when to report payments in the CMS-64;

• lack of internal control in drawing down ARRA funds;

• inadequate internal control to assure that payments to providers were made in compliance with Federal regulations, e.g. payments for services that were not medically necessary and providers were not eligible Medicaid providers; and

• review of cost report and recoupment of rate adjustments were not timely.

3. Other areas of weaknesses identified included--

• inadequate monitoring and oversight of subcontractors;

• inadequate monitoring and oversight to assure provider licensing, agreements or required certification were in effect and up-to-date, and that the related documentation were in file or in the Medicaid Management Information System (MMIS);

• inadequate internal control related to implementation of MMIS replacement system;

• inadequate internal control regarding user access to the MMIS including terminated employees’ user access rights; and

• MMIS was not programmed and updated timely and accurately with proper information.

*Medicaid EHR Incentive Payment Program*

Title IV, Division B of ARRA established voluntary Medicare and Medicaid EHR incentive payments to eligible professionals, eligible hospitals and critical access hospitals, and certain Medicare Advantage organizations for the adoption and demonstration of meaningful use of certified EHR technology, as one component of the HITECH Act.

Section 4201 of the HITECH Act amends section 1903 of the Act to provide 100 percent Federal financial participation (FFP) to States for incentive payments to certain eligible providers participating in the Medicaid program to purchase, implement, operate (including support services and training for staff) and meaningfully use certified EHR technology.

Auditors should be aware that funds made available to States for the Medicaid incentive program and the State’s expenditure of those funds, including payments to eligible providers and costs of State administration of the program, are subject to the audit provisions of 2 CFR part 200, subpart F. Providers and other eligible entities receiving incentive funds are not subject to the audit provisions of 2 CFR part 200, subpart F by virtue of receipt of those funds.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

# Part II – Pass through Agency and Grant Specific Information

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

**Additional ODM Program Information can be obtained** [**http://medicaid.ohio.gov/RESOURCES/Publications/Materials.aspx**](http://medicaid.ohio.gov/RESOURCES/Publications/Materials.aspx) **)**

### Program Overview

**Medicaid Cluster**

This cluster consists of three individual programs, including Medicaid, State Survey and Certification, and Medicaid Fraud Control (See Program Objectives Section). The latter two of the three programs are administered by the Department of Health and the Attorney General Office, respectively, and selected testing will be performed by those individual Agency audit teams and forwarded to the State level JFS audit team for inclusion in the working papers. The function of the Medicaid program is shared between the County and State levels within JFS, as with all of the other programs.

Counties accept applications, enter data into statewide automated eligibility system, and issue Medical cards to recipients determined eligible by statewide automated eligibility system based on the application information entered. Individual Medicaid recipients go to Medical Service providers (doctors, hospitals, pharmacies, nursing homes, etc.) who also must meet certain criteria to be eligible to provide services for Medicaid. Eligible Medicaid service providers have three methods of submitting claims, (1) electronic data interchange (EDI), (2) the Medicaid Information Technology System (MITS) or (3) the point of sale system for pharmacy claims. Claims are processed by Ohio Department of Medicaid (ODM) at the State level (Claim submission is detailed in [OAC 5160-1-19](OAC5160.1.19.pdf)). MITS verifies patients’ eligibility through uploads of information from the statewide automated eligibility system and determines allowability of the service provided. 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.

**County Structure**

Each County is segregated into the following three areas:

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

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

• Child Support Enforcement Agency (CSEA) - Administers the Child Support Enforcement program.

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

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

**County Collaborations**

**Collabor8**

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

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

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

Ohio Revised Code § 329.40-329.46 allows for the formation of joint county departments of job and family services. The boards of county commissioners of any two or more counties may enter into a written agreement to form a joint county department of job and family services. Once the agreement is in effect, the department should operate a single new entity replacing the contributing counties JFS offices. The agreements will specify the reporting periods for the new departments, which are not required to be on a 12/31 reporting timeframe. If auditors are aware of the formation of a new district they should inquire as soon as possible with the district to determine the reporting period that was established. Auditors should familiarize themselves with the ORC code sections mentions and should also obtain the agreement establishing the district; perform a potential component unit evaluation to determine if the district is a legally separate entity. Also, keep in mind ORC § 329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to import testing procedures from the General boilerplate FACCR. Also keep in mind costs incurred for the acquisition of buildings and land, as “capital expenditures,” are unallowable as direct charges, except where approved in advance by the awarding agency. See 45 CFR 75.318, 75.343, and 75.439(b)(1) ([2 CFR 200.311](2CFR200.311.pdf), [200.329](2CFR200.329.pdf) and [200.439](2CFR200.439.pdf)(b)(1)). We are aware of two districts that have currently formed See below. As communicated in FATL 346 (effective 5-21-15), [OAC 5101:4-1-16](OAC5101.4.1.16.pdf) was updated and designated county collaborations as certification offices responsible for program operations which include, but not limited to: application processing; eligibility determinations; and operation of employment and training programs. Approved counties were removed from the code section and OAC 5101:4-1-16(B) indicates that approved county collaborations can be found in the food assistance change transmittal letters, which can be found in the food assistance certification handbook at the ODJFS website. The most recent change letter is [FACT 55](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FACT55):

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

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

**Subgrant Agreement**

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

**Additional information per ODJFS:**

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

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

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

The County JFS receives different types of Funding:

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

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

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

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

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

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

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

An agency with no reported expenditures over either time period will receive a minimum budget ([OAC 5101:9-6-44](OAC5101.9.6.44.pdf)). An agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web.

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

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

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

4. Other program specific State Allocations

In addition to their County JFS allocations, there are two opportunities for County agencies to release or receive monies: 1) They can swap funds with other counties, (this process must be approved by evidence of County Commissioners sign off) which goes through ODJFS to change the allocations in CFIS; or 2) There are at least 2 opportunities in the fiscal year in which they can apply for additional funds or to release excess funds for re-distribution to other counties. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties; however, the pass-through allocations are not included in either process. ODJFS changes the allocation in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be the reason any such re-allocations in the system. Note: The Ohio Department of Job and Family Services developed a process to allow for specific allocated funds to be exchanged between counties. The process is detailed in rule [5101:9-6-82](OAC5101.9.6.82.pdf) of the Administrative Code.

For most grants, the County JFS can draw down funds on a weekly basis from the ODJFS (see Section L Reporting of this document). However, federal grants received by the Public Children Services Agency (PCSA) (Adoption Assistance and Foster Care) are reimbursement grants. There may be portions of a program that are on a reimbursement basis however, the remainder of the programs the County JFS agency draws down an advance of funds for anticipated needs. Quarterly adjustments are made for the differences between funds drawn and actual expenditures.

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

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

The CFIS Web system does not link information into the county auditor’s expenditure ledgers. Counties can manually reenter the information or they may use a computer program for this upload process. Auditors should check to see if the information uploads to the County Auditor’s system accurately by reconciling Form 2827 (C/R 520 in CFIS Web) to the County Auditor’s & JFS records (see Reporting L section of this document). Beginning in 2015 ODJFS made available to its subrecipients, a PET replacement system called the CFIS Web Ledger Reporting (LR) system. Maximus discontinued PET in 2014. Effective March 30, 2018, ODJFS will end all support regarding the downloading of INF files in the Maximus Ledger Suite. Based on our review of the LR system and entities using it for 2018, we determined it was widely adopted for 2018 and it was not tested by ISA.

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

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

### Testing Considerations

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

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

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

### Reporting

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

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

*(Source: CFAE)*

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

**Computer Systems**

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

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

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

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

* County JFS fiscal offices use CFIS Web to record their expenditures. However, this system does not link the information into the county auditor’s expenditure ledgers. The counties can manually reenter the information or they may use a computer program for this upload process. The State Region does not look at these type of programs. In 2015 ODJFS made available to its subrecipients, a PET replacement system called the CFIS Web Ledger Reporting (LR) system. Maximus discontinued PET in 2014. Effective March 30, 2018, ODJFS will end all support regarding the downloading of INF files in the Maximus Ledger Suite. Based on our review of the LR system and entities using it for 2018, we determined it was widely adopted for 2018 and it was not tested by ISA.
* The process known as “Adjustment to a Prior Period Allocated and Approved Expenditure” or APAA, allows agencies to make adjustments in instances when direct coding is not available (i.e. audit, ERIP, and errors).This process can be initiated by the local agency or by ODJFS and is recorded on form JFS 01179. See [BCFTA updated 2013-17](http://jfs.ohio.gov/ofs/bcfta/BB/20130228-BCFTA-Update-2013-17-APAA.stm) dated 2/28/13 for further information.

**NOTE**:ODJFS is not granting auditors of County JFS programs access to the JFS systems. ODJFS is encouraging County JFS offices to cooperate with audit requests. Per Office of Fiscal and Monitoring Services’ County Monitoring Advisory Bulletin 2012-01 / Workforce Investment Act Advisory Bulletin 2012-01, dated February 13, 2012, in part:

“County agency management personnel are obligated to provide the necessary data to the regional auditors or their designees. However, due care must be taken to safeguard the information provided to the AOS and its contractors. Under no circumstances should agency management or staff give the AOS audit staff access to any ODJFS systems. Each agency must make a reasonable effort to limit the disclosure of protected health information to the minimum necessary to accomplish the intended purpose of the disclosure. The agencies must provide the data to the AOS via encrypted media, i.e. memory sticks, CDs or DVDs, external hard drives etc., in accordance with state guidelines on secure portable media. The method through which data are transferred is at the sole discretion of each local director.”

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

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

### OMB Compliance Requirements

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

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

*(Source: AOS CFAE)*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in this Supplement, the specific requirements of the governing statutes and regulations are included in Part 4, “Agency Program Requirements” or Part 5, “Clusters of Programs,” as applicable. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

**Source of Governing Requirements**

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Part 4 OMB Program Specific Requirements**

1. Funds can be used only for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR sections 435.10, 440.210, 440.220, and 440.180).

2. *Case Management Services –* The State plan may provide for case management services as an optional medical assistance service. The term “case management services” means services that will assist individuals eligible under the plan in gaining access to needed medical, social, educational, and other services.

Medicaid case management services are divided into two separate categories:

Administrative case management – Services must be identifiable with Title XIX benefit (e.g., outreach services provided by public school districts to Medicaid recipients).

Medical/targeted case management – Services must be provided to an eligible Medicaid recipient. Services do not have to be specifically medical in nature and can include securing shelter, personal needs, etc. (e.g., services provided by community mental health boards, county offices of aging).

Case management services is an area of risk because of the high growth of expenditures and prior experience that indicates problems with the documentation of case management expenditures.

With the exception of case management services provided through capitation (a process in which payment is made on a per beneficiary basis) or prepaid health plans, Federal regulations typically require the following documentation for case management services: date of service; name of recipient; name of provider agency and person providing the service; nature, extent, or units of service; and place of service (42 USC 1396n(g); 42 CFR part 434).

3. *Managed Care –* A State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. For example, a waiver may involve the use of a program of managed care for selected elements of the client population or allow the use of program funds to serve specified populations that would be otherwise ineligible (Section 1115 of the Social Security Act (42 USC 1315)). Managed care providers must be eligible to participate in the program at the time services are rendered, payments to managed care plans should only be for eligible clients for the proper period, and the capitation payment should be properly calculated. Medicaid medical services payments (e.g., hospital and doctors charges) should not be made for services that are covered by managed care. States should ensure that capitated payments to providers are discontinued when a beneficiary is no longer enrolled for services.

4. *Medicaid Health Insurance Premiums –* A State may enroll certain Medicare- eligible recipients under Medicare Part B and pay the premium, deductibles, cost sharing, and other charges (42 CFR section 431.625).

5. *Disproportionate Share Hospital –* Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low- income patients with special needs. The State plan must specifically define a disproportionate share hospital and the method of calculating the rate for these hospitals. Specific limits for the total disproportionate share hospital payments for the State and the individual hospitals are contained in the legislation (42 USC 1396r-4).

6. *Home and Community-Based Services –* A State may obtain a waiver of statutory requirements to provide an array of home and community-based services which may permit an individual to avoid institutionalization (42 CFR part 441, subpart G). The HHS OIG has issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the *Federal Register* on August 10, 1995, (page 40847) and is available from the HHS OIG home page, Special Fraud Alerts section (<http://oig.hhs.gov/fraud/fraudalerts.asp>).

7. *Medicare Part B Buy-In –* 42 CFR section 431.625(d)(1) and CMS Medicaid Manual – State Buy-in (Pub24) Sections 110 and 180 specify that Federal Financial Participation (FFP) is not available for States buy-in for non-cash Medical Assistance Only groups, e.g., the special income level group or the medically needy. FFP is available only for those individuals who are considered as some class of cash recipients or deemed to be a cash recipient or one of the Medicare Savings Program (MSP) groups.

8. *Electronic Health Records (EHR) –* States participating in the EHR incentive program can receive 90 percent FFP for approved processes, systems, and activities necessary to ensure the EHR incentive payments are being properly made (Section 1903t of the Social Security Act, as amended by Section 4201 of the Health Information Technology for Economic and Clinical Health (HITECH) Act (42 USC 1396b)).

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

**RMS**

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

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

See also BCFTA Web WebRMS reports at:

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

The RMS observations are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. Both the Income Maintenance RMS (IMRMS) and the Social Services RMS (SSRMS) are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from FTE reporting done in CFIS. Data collected from these time studies are used to calculate the percentage of time spent on the program. The percentages are used by the County agency system to allocate expenditures reported on the ODHS 2827 (CFIS Web CR 520) financial statements.

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

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

**RMS sample sizes required per OAC:**

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

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

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

AOS Additional Testing Consideration

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

County testing will primarily consist of the following:

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

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

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

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

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

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

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

Auditors will need to test both FTE reporting and RMS.

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

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

### Audit Objectives and Control Testing

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

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

### Suggested Audit Procedures – Compliance

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

### Audit Implications Summary

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

## B. ALLOWABLE COSTS/COST PRINCIPLES

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

### Applicability of Cost Principles

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

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

*(Source: AOS CFAE)*

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

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

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

**Source of Governing Requirements**

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

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

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Basic Guidelines**

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

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

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

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

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

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

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

7. Be adequately documented.

**Selected Items of Cost**

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Part 4 OMB Program Specific Requirements**

*Recoveries, Refunds, and Rebates (Costs must be the net of all applicable credits)*

1. States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability is established after the claim is paid, reimbursement from the third party should be sought (42 USC 1396K; 42 CFR sections 433.135 through 433.154).

2. The State is required to credit the Medicaid program for (1) State warrants that are canceled and uncashed checks beyond 180 days of issuance (escheated warrants) and (2) overpayments made to providers of medical services within specified time frames (42 CFR sections 433.300 through 433.320, and 433.40).

Under Section 6506 of the Affordable Care Act (42 USC 1396b(d)(2)), States now have up to 1 year (rather than 60 days) from the date of discovery of an overpayment for Medicaid services to recover, or to attempt to recover, such overpayment before making an adjustment to refund the Federal share of the overpayment. Except in the case of overpayments resulting from fraud, the adjustment to refund the Federal share must be made no later than the deadline for filing the quarterly expenditure report (Form CMS-64) for the quarter in which the 1-year period ends, regardless of whether the State recovers the overpayment.

3. Before calculating the amount of Federal financial participation, 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 providers and entities related to providers (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 (42 USC 1396b(w); 42 CFR section 433.57).

“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 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 (1) that provider, (2) providers furnishing the same class of items and services as that provider, or (3) any related entity (42 CFR sections 433.58(d) and 433.66(b)).

Permissible health care-related taxes are those taxes which are broad-based taxes, uniformly applied to a class of health care items, services, or providers, and which do not hold a taxpayer harmless for the costs of the tax, or a tax program for which CMS has granted a waiver. Health care-related taxes that do not meet these requirements are impermissible health care-related taxes (42 CFR section 433.68(b)).

These provisions apply to all 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 Social Security Act (42 CFR part 433).

4. Section 1927 of the Social Security Act (42 USC 1396r-8) allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers are required to provide a listing to CMS of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer’s price and their best prices for each covered outpatient drug. Based on these data, CMS calculates a unit rebate amount for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data, including drug utilization data of those Medicaid beneficiaries enrolled in managed care organizations. Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

**Written Procedure Requirements:**

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

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

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

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

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

*(Source: CFAE/eCFR)*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

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

The most significant administrative costs of the County JFS is compensation. Costs of compensation must be allocated by means of full-time equivalents (FTEs) and the RMS system, as set forth in the state cost allocation plan. The costs of providers should normally be charged directly to the benefiting program. Provider costs, including provider administrative costs, should not be charged to a cost pool as this would likely cause costs to be charged to non-benefiting programs, contrary to the federal cost allocation principles (45 CFR 75 Subpart E and [2 CFR 200 Subpart E](2CFR200_subpart%20E.pdf)). Costs which are readily assignable as direct costs should be charged in that manner and not charged to a cost pool, unless required by the statewide cost allocation plan. Costs, whether charged directly or indirectly, should be charged only to benefiting federal programs. Subrecipients may not be paid any amounts in excess of allowable costs, whether as a fee or any other increment. For example, where a contractor is providing both WIA and TANF program services (if it is assignable to each program), each cost should be allocated by the contractor to the appropriate program and charged as direct program costs. On the other hand, where a contractor is providing general administrative services, such as the development of an agency-wide classification system for employees and (is not assignable to individual programs), those costs are not direct program costs. As the costs benefit all programs within the agency, they should be charged to the shared cost pool.

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

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

Auditors should be alert for the following:

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

County family services agencies are not authorized under Ohio law to hold title to real properly; however, joint county departments of Job and Family Services organized under ORC § 329 can hold title to real property. The agencies routinely rent or lease (for federal grants management purposes, the terms are interchangeable) the facilities necessary for their operation. Rental costs are allowable costs to federal programs under 45 CFR 75.465 ([2 CFR 200.465](2CFR200.465.pdf)). However, rates must be reasonable in light of such factors as:

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

If the County JFS rents facilities from the board of county commissioners, they are subject to additional restrictions under 45 CFR 75.465 ([2 CFR 200.465](2CFR200.465.pdf)). As the county family services agency and the board of county commissioners are “related parties,” a rental transaction between the two is considered a “less-than-arm’s-length” transaction. As a result, allowable rental costs are limited to the amount that would be allowed had title to the property vested in the governmental unit; i.e., depreciation, maintenance, taxes and insurance. If the lease amount is tied to a bond schedule for the repayment of the county’s indebtedness on the building in question, this amount may be more than the allowable rental costs under 45 CFR 75.465 (2 CFR 200.465), and the excessive amount would not be an allowable cost to federal programs.

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

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

See also [OAC 5101:9-4-11](OAC5101.9.4.11.pdf) (eff. 2-21-15) Rental Costs and Lease Agreements for the rule governing this requirement. This rule is also referred to in FACCR Section F - Equipment and Real Property Management.

Per [FAPMTL 309](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL309) (effective 2/16/15), OAC 5101:9-1-15 was rescinded. According to the transmittal, information for the rule can be found in the OMB Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards CFR part 200. Expenditures after this effective date will need to follow cost principles within 2 CFR part 200 Subpart E. Where federal, state, or local requirements differ, the most restrictive shall apply. Part (H) of this section lists selected items of costs where there is more restrictive policy based on Ohio law and/or where policy clarifications have been received.

### Indirect Cost Rate

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

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

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

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

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

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

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

**2 CFR PART 200**

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

**Introduction**

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

***Cognizant Agency for Indirect Costs***

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

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

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

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

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

**Additional Control Test Objectives for Written Procedures**

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

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

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

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

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

### Allowable Costs – State/Local Government-wide Central Service Costs

Most governmental entities provide services, such as accounting, purchasing, computer services, and fringe benefits, to operating agencies on a centralized basis. Since the Federal awards are performed within the individual operating agencies, there must be a process whereby these central service costs are identified and assigned to benefiting operating agency activities on a reasonable and consistent basis. The State/local government-wide central service cost allocation plan (CAP) provides that process. (Refer to 45 CFR part 75, Appendix V ([2 CFR part 200, Appendix V](2CFR200_Appendix_V.pdf)), for additional information and specific requirements.)

The allowable costs of central services that a governmental unit provides to its agencies may be allocated or billed to the user agencies. The State/local government-wide central service CAP is the required documentation of the methods used by the governmental unit to identify and accumulate these costs, and to allocate them or develop billing rates based on them.

Allocated central service costs (referred to as Section I costs) are allocated to benefiting operating agencies on some reasonable basis. These costs are usually negotiated and approved for a future year on a “fixed-with-carry-forward” basis. Examples of such services might include general accounting, personnel administration, and purchasing. Section I costs assigned to an operating agency through the State/local government-wide central service CAP are typically included in the agency’s indirect cost pool.

Billed central service costs (referred to as Section II costs) are billed to benefiting agencies and/or programs on an individual fee-for-service or similar basis. The billed rates are usually based on the estimated costs for providing the services. An adjustment will be made at least annually for the difference between the revenue generated by each billed service and the actual allowable costs. Examples of such billed services include computer services, transportation services, self- insurance, and fringe benefits. Section II costs billed to an operating agency may be charged as direct costs to the agency’s Federal awards or included in its indirect cost pool.

*(Source: 2017 OMB Compliance Supplement 3.2)*

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

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

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

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

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

### Allowable Costs – State Public Assistance Agency Costs

State public assistance agency costs are (1) defined as all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for services and goods provided directly to program recipients (e.g., day care services); and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP). The public assistance CAP provides a narrative description of the procedures that are used in identifying, measuring, and allocating all costs (direct and indirect) to each of the programs administered or supervised by State public assistance agencies.

45 CFR part 75, Appendix VI, paragraph A ([2 CFR part 200, Appendix VI, paragraph A](2CFR200_Appendix_VI_Para_A.pdf)), states that, since the federally financed programs administered by State public assistance agencies are funded predominantly by HHS, HHS is responsible for the requirements for the development, documentation, submission, negotiation, and approval of public assistance CAPs. These requirements are specified in [45 CFR part 95, subpart E](45CFR95%20Subpart%20E.pdf).

Major Federal programs typically administered by State public assistance agencies include: Temporary Assistance for Needy Families (CFDA 93.558), Medicaid (CFDA 93.778), Supplemental Nutrition Assistance Program (CFDA 10.561), Child Support Enforcement (CFDA 93.563), Foster Care (CFDA 93.658), Adoption Assistance (CFDA 93.659), and Social Services Block Grant (CFDA 93.667).

*(Source: 2017 OMB Compliance Supplement 3.2)*

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

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

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

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

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

### Cost Principles for Nonprofit Organizations

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

### Audit Implications Summary

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

## C. CASH MANAGEMENT

### OMB Compliance Requirements

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

***Grants and Cooperative Agreements***

***All Non-Federal Entities***

**Written Procedure Requirements:**

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

***States***

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

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

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

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

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

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

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

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

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

***Pass-through Entities***

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

**Source of Governing Requirements**

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Availability of Other Information**

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

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

*(Source: AOS CFAE)*

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

45 CFR 75.302(b)(6) ([2 CFR 200.302(b)(6)](file:///C:\Users\TMHicks\Desktop\Medicaid\2CFR200.302(b)(6).pdf)) requires non-federal entities to establish written procedures to implement the requirements of 45 CFR 75.305 ([2 CFR 200.305](file:///C:\Users\TMHicks\Desktop\Medicaid\2CFR200.305.pdf)).

*(Source: eCFR)*

### Additional Program Specific Information

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

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

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

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

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

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

### Audit Objectives and Control Testing

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

**Additional Control Test Objectives for Written Procedures**

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

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

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

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

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

### Audit Implications Summary

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

## E. ELIGIBILITY – Not Applicable

Eligibility is tested at the State level for Medicaid.

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

Not applicable per 2017 OMB Compliance Supplement Part 2.

## G. MATCHING, LEVEL OF EFFORT, EARMARKING

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

### OMB Compliance Requirements

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

However, for matching, 45 CFR 75.306 ([2 CFR section 200.306](2CFR200.306.pdf)) provides detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

- Are verifiable from the non-Federal entity’s records;

- Are not included as contributions for any other Federal award;

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

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

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

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

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

“Matching,” “level of effort,” and “earmarking” are defined as follows:

1. *Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

2. *Level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.

3. *Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program’s funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

**Source of Governing Requirements**

The requirements for matching are contained in 45 CFR 75.306 [(2 CFR section 200.306),](2CFR200.306.pdf) program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Part 4 OMB Program Specific Requirements**

**1. Matching**

The State is required to pay part of the costs of providing health care to the poor and part of the costs of administering the program. Different State participation rates apply to medical assistance payments. There are also different Federal financial participation rates for the different types of costs incurred in administering the Medicaid program, such as administration (including administration of family planning services), training, computer, and other costs (42 CFR sections 433.10 and 433.15). The auditor should refer to the State plan for the matching rates.

**2. Level of Effort – Not Applicable -** A State waiver may contain a level-of-effort requirement.

**3. Earmarking – Not Applicable -** A State waiver may contain an earmarking requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

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

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

*(Source: Ohio Department of Medicaid)*

### Audit Objectives and Control Testing

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

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

### Suggested Audit Procedures – Compliance

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

### Audit Implications Summary

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

## H. PERIOD OF PERFORMANCE

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

### OMB Compliance Requirements

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

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

**Source of Governing Requirements**

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

Period of Performance and Liquidation

Agencies may occasionally have 2 grants open at the same time. (Example: Both TANF FFY 18 and TANF FFY 19 will be available during the Oct 2018 – Dec 2018 quarter.) It is important for agencies to consider the period of performance and the liquidation period of those grants, as entered into CFIS, in order to make the appropriate grant choice during this time.

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

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

Because of the two-year time limit, agencies have the option of posting expenditures incurred prior to 9/30/18 (and after 10/1/17) to either the FFY 18 grants or FFY 19 grants. Expenditures may be charged to a future grant (within 2 years) but cannot be charged to a grant that is past its period of performance.

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

**Accessing FFY 17 Grants**

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

**Accessing FFY 18 Grants**

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

**Accessing FFY 19 Grants**

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

### Audit Objectives and Control Testing

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

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

### Suggested Audit Procedures – Compliance

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

### Audit Implications Summary

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

## I. PROCUREMENT AND SUSPENSION AND DEBARMENT

### OMB Compliance Requirements – Procurement

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

***Procurement—Grants and Cooperative Agreements***

*Non-Federal Entities Other than States*

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 45 CFR 75.327 through 75.335 ([2 CFR sections 200.318 through 200.326](2CFR200.317_thru_200.326.pdf)). They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200. A non-Federal entity must:

1. Meet the general procurement standards in 45 CFR 75.327 (2 CFR section 200.318), which include oversight of contractors’ performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.

2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 45 CFR 75.328 (2 CFR section 200.319).

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 45 CFR 75.329 (a) and (b) (2 CFR sections 200.320(a) and (b)). Under the micro-purchase method, the aggregate dollar amount does not exceed $3,500 ($2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable 45 CFR 75.329(d) (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources 45 CFR 75.329(b) (2 CFR section 200.320(b)). Note exceptions described in subsequent sections for the provisions under the 2017 and 2018 National Defense Authorization Act.

4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 45 CFR 75.329(c) (2 CFR section 200.320(c)); the competitive proposals method under the conditions specified in 45 CFR 75.329(d) (2 CFR section 200.320(d)); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 45 CFR 75.329(f) (2 CFR section 200.320(f)).

5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications 45 CFR 75.332(a) (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used 45 CFR 75.332(d) (2 CFR section 200.323(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 45 CFR 75.335 (2 CFR section 200.326). These provisions are described in Appendix II to 45 CFR part 75 ([Appendix II to 2 CFR part 200](2CFR200_Appendix_II.pdf)), “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

***Procurement—Cost-Reimbursement Contracts under the Federal Acquisition Regulation***

When awarding subcontracts, non-Federal entities receiving cost-reimbursement contracts under the Federal Acquisition Regulation (FAR) must comply with the clauses at [48 CFR section 52.244-2](48CFR52.244-2.pdf) (consent to subcontract), [52.244-5](48CFR52.244-5.pdf) (competition), [52.203-13](48CFR52.203-13.pdf) (code of business ethics), [52.203-16](48CFR52.203-16.pdf) (conflicts of interest), and [52.215.12](48CFR52.215-12.pdf) (cost or pricing data); and the terms and conditions of the contract. The FAR defines “subcontracts” as a contract, i.e., a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.

**Source of Governing Requirements – Procurement**

The requirements that apply to procurement under grants and cooperative agreements are contained in 45 CFR 75.326 through 75.335 ([2 CFR sections 200.317 through 200.326](2CFR200.317_thru_200.326.pdf)), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements that apply to procurement under cost-reimbursement contracts under the FAR are contained in 48 CFR parts [03](48CFR_Part_3.pdf), [15](48CFR_Part_15.pdf), [44](48CFR_Part_44.pdf) and the clauses at [48 CFR section 52.244-2](48CFR52.244-2.pdf), [52.244-5](48CFR52.244-5.pdf), [52.203-13](48CFR52.203-13.pdf), [52.203-16](48CFR52.203-16.pdf), and [52.215-12](48CFR52.215-12.pdf); agency FAR Supplements; and the terms and conditions of the contract.

*(Source: 2018 OMB Compliance Supplement 3.2)*

**National Defense Authorization Act (NDAA) of 2017and 2018**

The following information is provided regarding timing and impact of the NDAA of 2017 and 2018. Additional guidance to the auditor is provided in Appendix VII -A – “Other Audit Advisories – Hurricane and NDAA Addendum” of the 2018 Supplement.

*NDAA of 2017*

The NDAA of 2017, Section 217 (Pub. L. No. 114-328, 130 Stat. 6 (2051)) and 41 USC 1902(a)(2) contained the following provisions.

Raise the micro-purchase threshold to $10,000 for procurements under grants and cooperative agreements to institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes..

Allow a threshold higher than $10,000 as determined appropriate by the head of the relevant executive agency.

The provisions of this Act are specific to, institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes. As of the date of this 2018 Supplement, OMB has not issued guidance to clarify the applicability date which would allow the specified entities to raise their micro-purchase threshold up to $10,000. Once the applicability date is determined, the non-Federal entity must document this decision in its internal procurement policies. Institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes, which had established micro-purchase thresholds up to the $10,000 prior to the enactment of the NDAA 2017, are allowed to continue the use of the same threshold as documented in their internal procurement policies.

Note that the exception for the $10,000 micro-purchase threshold is not available to ALL auditees; however when implemented by an eligible auditee, the exception would apply to procurements purchased under ALL federal grants.

Institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes may request micro-purchase threshold higher than $10,000, but it requires a formal approval from an appropriate executive agency. Once approved, the non-Federal entity must document this decision in its internal procurement policies.

*NDAA of 2018*

The NDAA of 2018, Sections 805 (41 USC 134) and 806 (41 USC. 1902 (a) (1)), increased the simplified acquisition threshold to $250,000 and the micro-purchase threshold to $10,000, respectively for ALL auditees for ALL Federal grants. These changes effectively redefine the level for the simplified acquisition threshold (section 200.88 of the Uniform Guidance) and the micro-purchase threshold (section 200.67 of the Uniform Guidance). These changes will become effective when they are formally codified in the Federal Acquisition Regulations at 48 CFR Subpart 2.1 (Definitions). Early implementation is not permissible.

Note exception for institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes provided under 2017 NDAA (and described in previous section).

Once codified, the higher thresholds will be available to all non-Federal entities except States. The non-Federal entity must document this decision in its internal procurement policies.

*(Source: 2018 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

* DOT has made additions and edits to part 317. EPA has made additions and edits to part 318. HHS has made additions and edits to parts 212, 318, 320 and 325. The most recent compilation of agency additions and exceptions is provided on the COFAR website here <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>. However, this list is only updated through 12/2014.

### OMB Compliance Requirements – Suspension and Debarment

**Auditors will need to review Appendix II in the link under Source of Governing requirements to determine where the agency codified 2 CFR 180. Citations of non-compliance must start with the agencies codification of 2 CFR part 180.**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in [2 CFR section 180.220](2CFR180.220.pdf). All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in [2 CFR section 180.215](2CFR180.215.pdf).

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in [2 CFR section 180.995](2CFR180.995.pdf) and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity ([2 CFR section 180.300](2CFR180.300.pdf)).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at [48 CFR 52.209-6](48CFR52.209-6.pdf) before entering into a subcontract that will exceed $30,000, other than a subcontract for a commercially available off-the-shelf item.

**Source of Governing Requirements – Suspension and Debarment**

The requirements for nonprocurement suspension and debarment are contained in OMB guidance in [2 CFR part 180](2CFR_Part_180.pdf), which implements Executive Orders 12549 and 12689, “Debarment and Suspension;” Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of the award.

Most of the Federal agencies have adopted or implemented 2 CFR part 180, generally by relocating their associated agency rules in Title 2 of the CFR. [Appendix II to the Supplement](OMB_Compliance_Supplement_APP_II.pdf) includes the current CFR citations for all agencies adoption or implementation of the nonprocurement suspension and debarment guidance.

Government-wide requirements related to suspension and debarment and doing business with suspended or debarred subcontractors under cost reimbursement contracts under the FAR are contained in [48 CFR section 9.405-2(b)](48CFR9.405-2(b).pdf) and the clause at [48 CFR section 52.209-6](48CFR52.209-6.pdf).

**Availability of Other Information**

2 CFR part 200.110(a) Effective/Applicability Date, was amended of May 17, 2017, to allow non-Federal entities to continue to comply with the procurement standards in OMB Circular A-110 or the A-102 common rule, as applicable, through December 25, 2017 extending the grace period from 2 years to 3 years. Implementation of the procurement standards in [2 CFR sections 200.317 through 200.326](2CFR200.317_thru_200.326.pdf) is now required for auditee fiscal years beginning on or after December 26, 2017. For example, for a non-Federal entity with a June 30th year end, implementation is required for its fiscal years beginning July 1, 2018.

If a non-Federal entity chooses to use the previous procurement standards for the additional three fiscal years before adopting the procurement standards in 2 CFR part 200, the non-Federal entity must document this decision in its internal procurement policies.

Auditors will review procurement policies and procedures based on the documented standard. Once the grace period ends, all non-Federal entities will be required to comply fully with the uniform guidance.

*(Source: 2018 OMB Compliance Supplement 3.2)*

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

**Written Procedure Requirements:**

45 CFR 75.327(c)(1) ([2 CFR 200.318](2CFR200.318.pdf)(c)(1)) requires non-Federal entities maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

45 CFR 75.327(c)(2) ([2 CFR 200.318](2CFR200.318.pdf)(c)(2)) requires non-Federal entities maintain written standards of conduct covering organizational conflicts of interest when the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe.

45 CFR 75.329(d)(3) ([2 CFR 200.320](2CFR200.320.pdf)(d)(3)) requires non-federal entities to have a written method for conducting technical evaluations of the competitive proposals received and for selecting contract recipients.

45 CFR 75.328(c) ([2 CFR 200.319](2CFR200.319.pdf)(c)) requires that the written procedures required by 2 CFR 200.320(d)(3) ensure all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

*(Source: CFAE/eCFR)*

### Additional Program Specific Information

**ODFJS Compliance Requirements**

45 CFR 75.329 ([2 CFR 200.320](2CFR200.320.pdf)) includes procurement requirements.

These methods are:

* Micro-purchases;
* Small Purchases;
* Sealed bids;
* Competitive proposals; and
* Noncompetitive proposals.

The federal regulation provides specific requirements as to the circumstances under which each procurement method may be used and as to the manner in which each procurement method is applied. All procurements with federal monies are to be made in accordance with one of the five approved procedures.

Per [FAPMTL 325](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL325) (effective 7-6-15), [OAC 5101:9-4-07](OAC5101.9.4.07.pdf) and [5101:9-4-07.1](OAC5101.9.4.07.1.pdf) was revised to include Uniform Guidance updates in regards to Procurement methods. Auditors should review these requirements for specific information on the procurement methods. [FAPMTL 346](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL346) updates 5101:9-4-07.1 and is effective 4-25-2016.

Auditors should review OAC [5101:9-4-07](OAC5101.9.4.07.pdf), [5101:9-4-07.1](OAC5101.9.4.07.1.pdf) and [45 CFR 75.329](45CFR75.329.pdf) for further detail on the procurement methods above as well as other procurement requirements. The rule updates do not change the requirements or allowable methods of procurement, but have only been formatted to provide a better understanding of the competitive and noncompetitive process.

### Audit Objectives and Control Testing

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

**Additional Control Test Objectives for Written Procedures:**

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

* UG requires a written policy for the requirements outlined in 45 CFR 75.327(c)(1), 45 CFR 75.327(c)(2), 45 CFR 75.329(d)(3), and 45 CFR 75.328(c) ([2 CFR 200.318](2CFR200.318.pdf)(c)(1), [2 CFR 200.318](2CFR200.318.pdf)(c)(2), [2 CFR 200.320](2CFR200.320.pdf)(d)(3), and [2 CFR 200.319](2CFR200.319.pdf)(c))*.*
* Document whether the non-Federal entity established written procedures consistent with the following requirements:
  + 45 CFR 75.327(c)(1) (2 CFR 200.318(c)(1)) for employee conflicts of interest.
  + 45 CFR 75.327(c)(2) (2 CFR 200.318(c)(2)) for organizational conflicts of interest.
  + 45 CFR 75.329(d)(3) (2 CFR 200.320(d)(3)) for selection and awarding of competitive contracts.
  + 45 CFR 75.328(c) (2 CFR 200.319(c)) for minimum evaluation criteria for bids and proposals.
* It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 45 CFR 75.327(c)(1), 45 CFR 75.327(c)(2), 45 CFR 75.329(d)(3), and 45 CFR 75.328(c) (2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(d)(3), and 2 CFR 200.319(c)).
  + While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.
  + The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.
    - If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.

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| **What Control Procedures Address the Compliance Requirement (reference/link to documentation or where the testing was performed):** |
| **Basis for the control** (reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):  **Control Procedure** (description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):  **Person(s) responsible for performing the control procedure** (title):  **Description of evidence documenting the control was applied** (i.e. sampling unit):  **Here are some questions that can help in documenting the above control requirements**   * Has the County/district JFS agency established written acquisition standards to ensure that all purchases of services, supplies, and equipment performed in accordance with applicable state / federal law and regulations? * Has the County/district JFS agency established procedures to ensure that any sub-grantee entity was aware of the requirements contained in paragraph (A) of the OAC rule above and given written notice contained in any contract or grant agreement that all acquisitions made by the sub-grantee entity must conform to these 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. |

### Suggested Audit Procedures – Compliance

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| *(Procedures 2 – 5 apply to non-Federal entities other than States.)*  2. Obtain the entity’s procurement policies and verify that the policies comply with the compliance requirements highlighted above.  3. Verify that the entity has written standards of conduct that cover conflicts of interest and govern the performance of its employees engaged in the selection, award, and administration of contracts (45 CFR 75.329(c) ([2 CFR section 200.318(c)](2CFR200.318(c).pdf)) and [48 CFR sections 52.203-13](48CFR52.203-13.pdf) and [52.203-16](48CFR52.203-16.pdf)).  4. Ascertain if the entity has a policy to use statutorily or administratively imposed in‑State or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to federally funded procurements except where applicable Federal statutes expressly mandate or encourage geographic preference (45 CFR 75.328(b)) ([2 CFR section 200.319(b)](2CFR200.319(b).pdf)).  5. Select a sample of procurements and perform the following procedures:  a. Examine contract files and verify that they document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price (45 CFR 75.327(i)) (([2 CFR section 200.318(i)](2CFR200.318(i).pdf)) and [48 CFR part 44](48CFR_Part_44.pdf) and section 45 CFR [52.244-2](48CFR52.244-2.pdf)).  b. For grants and cooperative agreements, verify that the procurement method used was appropriate based on the dollar amount and conditions specified in 45 CFR 75.329 ([2 CFR section 200.320](2CFR200.320.pdf)).Current micro-purchase and simplified acquisition thresholds can be found in the FAR (48 CFR subpart 2.1, “Definitions”) (<https://www.acquisition.gov/sites/default/files/current/far/html/Subpart%202_1.html>).  c. Verify that procurements provide full and open competition (45 CFR 75.328 ([2 CFR section 200.319](2CFR200.319.pdf)) and [48 CFR section 52.244-5](48CFR52.244-5.pdf)).  d. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (45 CFR 75.328 ([2 CFR sections 200.319](2CFR200.319.pdf)) and 45 CFR 75.329 (2 CFR [200.320(f)](2CFR200.320(f).pdf)) and [48 CFR section 52.244-5](48CFR52.244-5.pdf)).  e. Ascertain if cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold, including contract modifications, and that this analysis supported the procurement action (45 CFR 75.332 [(2 CFR section 200.323](2CFR200.323.pdf)) and [48 CFR section 15.404-3](48CFR15.404-3.pdf)).  **Note**: A cost or price analysis is required for each procurement action, including each contract modification, when the total amount of the contract and related modifications is greater than the simplified acquisition threshold.)  f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract under the FAR ([48 CFR section 52.244-2](48CFR52.244-2.pdf)).  **Note**: If the non-Federal entity has an approved purchasing system, consent to subcontract may not be required unless specifically identified by contract terms or conditions. The auditor should verify that the approval of the purchasing system is effective for the audit period being reviewed.  g. Refer to Appendix VII-A for guidance on reporting audit test results for the National Defense Authorization Acts of 2017 and 2018.  *(Procedures 6 and 7 apply to all non-Federal entities)*  6. Review the non-Federal entity’s procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (45 CFR 75.212 ([2 CFR sections 200.212](2CFR200.212.pdf)) and 45 CFR 75.327(h) (2 CFR [200.318(h)](2CFR200.318(h).pdf)); [2 CFR section 180.300](2CFR180.300.pdf); [48 CFR section 52.209-6](48CFR52.209-6.pdf)).  7. Select a sample of procurements and subawards and test whether the non-Federal entity followed its procedures before entering into a covered transaction. |

### Audit Implications Summary

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

## J. PROGRAM INCOME – Not Applicable

Not applicable per 2017 OMB Compliance Supplement Part 2.

## L. REPORTING

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

### OMB Compliance Requirements

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

*Financial Reporting*

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

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

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

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

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

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

*Performance and Special Reporting*

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

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

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

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

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

**Source of Governing Requirements**

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

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Part 4 OMB Program Specific Requirements**

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

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

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

To reflect the most current funding practices available, ODJFS communicated in [FAPMTL 360](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL360) (dated 11-2-16) [OAC 5101:9-7-06](OAC5101.9.7.06.pdf) titled "Reporting Collections and Earnings on Erroneous Payment Recoveries" which includes information on the earnings for the recovery of erroneous payments in addition to current reporting procedures.

ODJFS established coding and communicated that coding via a [Bureau of County Finance Technical Assistance (BCFTA) update 2013-15](http://jfs.ohio.gov/ofs/bcfta/BB/20130110-BCFTA-Update-2013-15-New-Receipt-Coding.stm) (dated 1/10/2013).

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

[OAC 5101:9-7-06](OAC5101.9.7.06.pdf) Reporting Collections and Earning on Erroneous Payment Recoveries (Eff. 11/20/2016)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. ODJFS will include the erroneous payment collections, as reported on the /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 02827 is generated in CFIS web, however the County Auditor still needs to sign and certify the final report. If the report generated from CFIS web it is not signed is not considered final. See [OAC 5101:9-7-03](OAC5101.9.7.03.pdf), [5101:9-7-03.1](OAC5101.9.7.03.1.pdf) & [5101:9-7-29](OAC5101.9.7.29.pdf). Tests related to reporting at the county level for public assistance will be limited to the JFS 02827 form and include the following:

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

2. The signed quarterly financial statement (CR 520 report) shall be submitted to ODJFS no later than the 10th day of the second month following the quarter the report represents.

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

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

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

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

Auditors should test the ODJFS 02827 Form in conjunction with other programs also reported on the Form. The following is a list of programs reported on the ODJFS 02827/ CR 520 Quarterly Financial Statement Public Assistance Fund Certification Sheet:

Medicaid

CHIP / SCHIP

Food Assistance / SNAP

TANF

Child Care Cluster

Social Service Block Grant

### Audit Objectives and Control Testing

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

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

### Suggested Audit Procedures – Compliance

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| **Suggested Audit Procedures – Compliance (Substantive Tests)**  **(Reference / link to documentation where testing was performed testing):** |
| **Note for Direct Awards Only**: For recipients using HHS’ Payment Management System (PMS) to draw Federal funds, the auditor should consider the following steps numbered 1 through 4 as they pertain to the cash reporting portion of the SF-425A, regardless of the source of the data included in the PMS reports. (During FY2016, HHS is completing the transition from pooled payment to use of subaccounts.) Although certain data is supplied by the Federal awarding agency (e.g., award authorization amounts) and certain amounts are provided by HHS’ Payment Management Services, the auditor should ensure that such amounts are in agreement with the recipient’s records and are otherwise accurate.  **This FACCR was written for grants required to be tested under the UG, however if you have material non-UG transactions, please contact CFAE via the FACCR Inbox** [**FACCR@ohioauditor.gov**](mailto:FACCR@ohioauditor.gov)**.**  **Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.** |
| **Additional ODJFS Steps**  **ODJFS 02827:**   * + - 1. Based on the results of the test of controls, select the quarterly ODJFS 02827 reports and perform the following:   Review each report to determine if:   * All amounts reported are traceable to appropriate supporting documentation and appear to be coded properly. * All amounts reported agree to the Quarterly CFIS reconciliation from ODJFS. * All amounts reported agree to the County Auditors/fiscal agents records. * Form 2827 was signed by County Auditor/fiscal agent and Director and imported into CFIS Web no later than the tenth calendar day of the second month following the quarter the report represents   **Other**  1. Determine if the County/district JFS reviewed the grant reconciliation (over / under) report and responded to ODJFS.  2. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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

## M. SUBRECIPIENT MONITORING

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

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

### OMB Compliance Requirements

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

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

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

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

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

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

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

**Source of Governing Requirements**

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Agency Codification Adjustments/Exceptions:**

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

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2017 OMB Compliance Supplement, Part 4, Department of Health and Human Services CFDA 93.775 State Medicaid Fraud Control Units; CFDA 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; CFDA 93.778 Medical Assistance Program (Medicaid; Title XIX))*

### Additional Program Specific Information

**ODJFS Compliance Requirements**

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

ODJFS subrecipient monitoring tools:

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

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

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

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

### Audit Objectives and Control Testing

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

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

### Suggested Audit Procedures – Compliance

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

### Audit Implications Summary

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

## N. SPECIAL TESTS AND PROVISIONS – Not Applicable

Per ODJFS, there are no OMB Special Tests and Provisions for Medicaid at the County level. This includes the following sections:

* Utilization Control and Program Integrity
* Impatient Hospital and Long-Term Care Facility Audits
* ADP Risk Analysis and System Security Review
* Provider Eligibility
* Provider Health and Safety Standards
* Medicaid Fraud Control Unit

## Program Testing Conclusion

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

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

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

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

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

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

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

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

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

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