**Federal Awards Compliance Audit Guidance and Testing**

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

|  |  |
| --- | --- |
| **FEDERAL AWARD NAME:** | Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster |
| **CFDA#:** | #17.258 – WIA/WIOA Adult Program  #17.259 – WIA/WIOA Youth Activities  #17.278 – WIA/WIOA Dislocated Worker Formula Grants |

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

* Discussion on Agency Adoption of the UG and example citations
* 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 governments and Not-For–Profits. It does not include all required references and testing for Institutes of Higher Learning or State organizations.**

**NAVIGATION PANE**

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

**TABLE OF CONTENTS**

**The Table of Contents starts on page. 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) with your request for the Non-UG Boilerplate.
  + 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.
  + Note: The Workforce Investment Act (WIA) was reauthorized as the Workforce Innovation and Opportunity Act (WIOA). Beginning with the PY16 and FY17 grants that began on 7/1/15, WIOA law is in effect.
  + Pass through agency information was obtained from Ron Weber, the Ohio Department of Job and Family Services Office of Workforce Development, Policy Manager and others as mentioned throughout the document.

# 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 |  | M/N |  |  |  |  |  | *5%* |
| **F** |  | **Equipment & Real Property Mgmt** | Yes |  | M |  |  |  |  |  | *5%* |
| **G** |  | **Matching, Level of Effort, Earmark** | Yes |  | M |  |  |  |  |  | *5%* |
| **H** |  | **Period of Availability (Performance)** | Yes |  | M |  |  |  |  |  | *5%* |
| **I** |  | **Procurement & Sus. & Debarment** | Yes |  | N |  |  |  |  |  | *5%* |
| **J** |  | **Program Income** | Yes |  | M |  |  |  |  |  | *5%* |
| **K** |  | ***RESERVED*** |  |  |  |  |  |  |  |  |  |
| **L** |  | **Reporting** | Yes |  | N |  |  |  |  |  | *5%* |
| **M** |  | **Subrecipient Monitoring** | Yes |  | N |  |  |  |  |  | *5%* |
| **N** |  | **Special Tests & Provisions** | No |  | N |  |  |  |  |  | *5%* |

**(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

The Workforce Innovation and Opportunity Act of 2014 (WIOA) authorizes formula grant programs to States to help job seekers access employment, education, training and support services to succeed in the labor market. Using a variety of methods, States provide employment and training services through a network of American Job Centers (AJC) (formerly known as One-Stop Career Centers). The WIOA programs provide employment and training programs for adults, dislocated workers, and youth, and Wagner-Peyser Act employment services administered by the Department of Labor (DOL). The programs also provide adult education and literacy services that complement the Vocational Rehabilitation State grants awarded by the U.S. Department of Education. These grants assist individuals with disabilities in obtaining employment and help job seekers achieve gainful employment. Youth employment and educational services are available to eligible out-of-school youth, ages 16 to 24, and low-income in-school youth, ages 14-21, that face barriers to employment.

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### II. Program Procedures

**Subtitle B Statewide and Local Workforce Development Programs**

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

A Local Workforce Development Board (local board) is appointed by the chief elected official in each local area in accordance with State criteria established under WIOA Section 107(b), and must be certified by the Governor every 2 years. Each local board, in partnership with the appropriate chief elected officials, develops and submits a comprehensive 4-year plan to the Governor, which identifies and describes certain policies, procedures, and local activities that are consistent with the Unified State Plan or the Combined State Plan. The plan must include a description of the AJC delivery system to be established or designated in the local area, including a copy of the local Memorandums of Understanding (MOU) between the local board and each of the AJC partners (1) describing the operation of the local AJC delivery system; (2) identifying the AJC operator or entity responsible for the disbursal of grant funds; and (3) describing the competitive process to be used to award grants and contracts for activities carried out under Subtitle I of WIOA.

The agreement between the local board and the AJC operator specifies the operator’s role. That role may range from simply coordinating service providers within the center, to being the primary provider of services within the center to coordinating activities throughout the local AJC system. The AJC operator may be a single entity or consortium of entities and may operate one or more AJC centers. In addition, there may be more than one AJC operator in a local area. The types of entities that may be selected to be the AJC operator include (1) an institution of higher education; (2) an employment service State agency established under the Wagner-Peyser Act on behalf of the local office of the agency; (3) a community-based organization, non-profit organization, or intermediary; (4) a private for-profit entity; (5) a government agency; and (6) another interested organization or entity, which may include a local Chamber of Commerce or other business organization, or a labor organization. The following Federal programs are required to be partners in the local AJC system: (1) programs authorized under Title I of WIOA; (2) programs authorized under the Wagner-Peyser Act (29 USC 49 *et seq*.); (3) adult education and literacy activities authorized under Title II of WIOA; (4) programs authorized under Title I of the Rehabilitation Act of 1973 (29 USC 720 *et seq*.), other than Section 112, WIOA, or Part C of that title; (5) senior community service employment activities authorized under Title V of the Older Americans Act of 1965 (42 USC 3056 *et seq*.); (6) career and technical education programs at the postsecondary level authorized under the Carl D. Perkins Career and Technical Education Act of 2006 (20 USC 2301 *et seq*.); (7) activities authorized under chapter 2 of Title II of the Trade Act of 1974 (19 USC 2271 *et seq*.); (8) activities authorized under chapter 41 of Title 38, USC; (9) employment and training activities carried out under the Community Services Block Grant (42 USC 9901 *et seq*.); (10) employment and training activities carried out by the Department of Housing and Urban Development; (11) programs authorized under State unemployment compensation laws (in accordance with applicable Federal law); (12) programs authorized under Section 212 of the Second Chance Act of 2007 (42 USC 17532); and (13) programs authorized under part A of Title IV of the Social Security Act (42 USC 601 *et seq*.).

WIOA also provides that other entities delivering workforce development programs may serve as additional partners in the AJC system with the approval of the local board and chief elected official. Additional partners may include: (1) employment and training programs administered by the Social Security Administration, including the Ticket to Work and Self-Sufficiency Program established under Section 1148 of the Social Security Act (42 USC 1320b-19); (2) employment and administration programs carried out by the Small Business Administration; (3) programs authorized under Section 6(d)(4) of the Food and Nutrition Act of 2008(7 USC 2015(d)(4));(4) work programs authorized under Section 6(o) of the Food and Nutrition Act of 2008 (7 USC 2015(o)); (5) programs carried out under Section 112 of the Rehabilitation Act of 1973 (29 USC 732); (6) programs authorized under the National and Community Service Act of 1990 (42 USC 12501 *et seq*.); and (7) other appropriate Federal, State or local programs, including employment, education, and training programs provided by public libraries or in the private sector.

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

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

The workforce investment system authorized under WIOA focuses on better aligning its services with education and economic development, and creating a collective response to economic and labor market challenges on the national, State, and local levels. The eligible training provider process is part of the strategy for achieving these goals. A local board may not itself provide training services to adults and dislocated workers unless it receives a waiver from the Governor and meets the requirements of Section106(b)(1)(B) of the WIOA. Instead, local boards, in partnership with the State, identify training providers and programs whose performance qualifies them to receive WIOA funds to train adults and dislocated workers. After receiving career services, and in consultation with case managers, eligible participants who need training use the eligible training provider list, which contains performance and cost information on training eligible providers, to make an informed choice.

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

The ability of providers to successfully perform, the procedures State and local boards use to establish training provider eligibility, and the degree to which information, including performance information, on those providers is made available to customers eligible for training services, are key factors affecting the successful implementation of the statewide workforce development system.

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### III. Source of Governing Requirements

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

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### IV. Other Information

Additional information on programs authorized under the Workforce Innovation and Opportunity Act can be found at: [http://www.doleta.gov/wioa.](http://www.doleta.gov/wioa)

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

# Part II – Pass through Agency and Grant Specific Information

### Program Overview

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

**WIA/WIOA Funding**

WIA/WIOA funds are issued to JFS in components. For example, ODJFS received funds starting in April 2016 with the issuance of PY16 WIA Youth.  Then in July of 2016 ODJFS received PY16 Adult and PY16 Dislocated.  In October of 2016 ODJFS received FFY17 WIA Adult and FFY17 WIA Dislocated Worker funds.  ODJFS subgranted those PY17 and FFY17 WIA Formula Youth, Adult and Dislocated Worker dollars to the 20 WIA areas with an end date of 6/30/2018 and a liquidation deadline of 9/30/18. After the close of the "local" period of availability, ODJFS still has spending authority on these funds through 6/30/19 since the state has 3 years of appropriation on WIA.

JFS also issues Rapid Response that is a subset of the state share of WIA/WIOA Dislocated Worker dollars. ODJFS issues Rapid Response for one SFY at a time and can potentially issue Rapid Response from any of the 6 open periods of appropriation. Therefore, in SFY2017 for example, ODJFS could have issued SFY2017 Rapid Response out of PY14, FY15, PY16, FY16, PY16, FY17 Dislocated Worker. In practice, ODJFS only issues Rapid Response funds to local areas from the most-recently received FY grant on an October to September federal fiscal year grant period. The end date for these funds would appear on both the Office of Workforce Development allocation request letter and in the County Finance Information System accounting system. The SFY2018 Rapid Response ODJFS issued using FY2018 Dislocated Worker allotment had an end date of 9/30/2018 and liquidation date of 12/31/2018.Ohio is organized into 20 local workforce development areas. Each local board has employed or designated a director and possibly other staff responsible for oversight, monitoring and policy implementation for all their WIOA sub-recipients. Many of these areas use a June 30 fiscal year.

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

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

*(Source: Ron Weber, the Ohio Department of Job and Family Services Office of Workforce Development, Policy Manager (updates info from AOS ADAM 2007-003)*

On July 22, 2014, the Workforce Innovation and Opportunity Act (WIOA) was signed into law as Public Law 113-128.  WIOA supersedes the Workforce Investment Act of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973.

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

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

**Programs are offered to:**

* [Adults](http://jfs.ohio.gov/owd/wia/Adult-Home.stm) over the age of 18, who are eligible to work in the United States of America and, if applicable, registered for Selective Service.
* [Dislocated Workers](http://jfs.ohio.gov/owd/wia/DislocatedWorker-home.stm) who have lost their job through no fault of their own.

[Youth](http://jfs.ohio.gov/owd/wia/Youth/index.stm) aged 14-24 who are:

* Deficient in basic literacy skills
* Runaway
* Homeless
* Foster child
* School drop-out
* Disabled
* Pregnant or a parent
* Ex-offender
* English language Learner
* Low income (in-school youth) , or
* Needs Additional Assistance

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

State policies and guidance are issued by the Office of Workforce Development (OWD). Policies that have been rescinded or updated are archived online. There is also a glossary of terms used in WIA/WIOA and workforce development. There is also an administrative rule for WIOA Youth.

*(Source:* [*OAC 5101:10-3-01*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/Rules/5101-10-3-01.stm)*)*

Policies are organized by main subject area and are in reverse chronological order. Each entry includes the title of the document, title and number of series (e.g., [Workforce Innovation Opportunity Act Policy Letter (WIOAPL) 17-06)](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-06.stm) and date issued, for instance (6/27/2018).

*(Source: ODJFS website at:* [*http://jfs.ohio.gov/owd/WorkforceProf/policy\_info.stm*](http://jfs.ohio.gov/owd/WorkforceProf/policy_info.stm)*)*

**WIOA Organization Chart (June 02, 2017) can be found at**: <http://jfs.ohio.gov/owd/wioa/Docs/WIA-Local-Workforce-System.stm>

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

**The map of counties within each of the 20 local areas is available at:** <http://jfs.ohio.gov/owd/WIOA/map.stm>

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

**A listing of OhioMeansJobs centers can be found at:** <http://jfs.ohio.gov/owd/wioa/Docs/OhioMeansJobs-Centers-by-County.stm>

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

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

**Additional information about WIOA administration in Ohio (including the information above) can be found at**: <http://jfs.ohio.gov/owd/wioa/map.stm>

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

### Testing Considerations

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

*(Source:* [*http://jfs.ohio.gov/ofs/bmcs/County-Monitoring-Advisory-Bulletin-2012-01.pdf*](http://jfs.ohio.gov/ofs/bmcs/County-Monitoring-Advisory-Bulletin-2012-01.pdf)*)*

**Comprehensive Case Management and Employment Program**

The Comprehensive Case Management and Employment Program (CCMEP) is a collaborative Title IV-A program and workforce development activity designed to improve employment and education outcomes for low-income youth and young adults by assisting participants in overcoming barriers to employment and developing employment skills. This program is designed based on the WIOA Youth program services and outcome measurements. It combines Temporary assistance for needy families (TANF) regular and administrate funds under 93.558 and Workforce Innovation and Opportunity Act (WIOA) youth funds under CFDA 17.259. See [FAPMTL No. 345](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=FAPMTL345), [CCMEPMTL No 1](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=CCMEPMTL1), [CCMEPMTL No 2](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=CCMEPMTL2), [CCMEPMTL No 3](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=CCMEPMTL3) and the [ODJFS CCMEP Webpage](http://jfs.ohio.gov/owd/CCMEP/index.stm) for additional guidance.

CCMEP TANF allocations provide monies to eligible individuals for employment, training services, and other support services. Each Board of County Commissioners must designate a Lead Agency to administer the CCMEP TANF funds. The lead agency may be the County DJFS or the workforce development agency which is the case in 9 counties: Columbiana, Highland, Lawrence, Lorain, Lucas, Mahoning, Stark, Tuscarawas, and Warren. If the county DJFS is the lead agency, the CCMEP TANF dollars flow from ODJFS to the county DJFS as the sub-recipient. If the workforce development agency is the lead agency, the CCMEP TANF funds flow to the local area fiscal agent along with the CCMEP WIOA Youth funds which flow to the local area fiscal agent in any case. The lead agency was initially required to adopt and submit a CCMEP program plan to ODJFS no later than May 30, 2016 since that time new biennial plans are due by December 31, 2017. The plan establishes standard processes for administering these TANF and WIOA funds and explains how the lead agency would work with the local board to coordinate and integrate services funded with both the TANF and WIOA allocations. For CCMEP TANF funded services, benefits are paid by the Lead Agency and in accordance with the [CCMEP Services Matrix](http://jfs.ohio.gov/owd/CCMEP/Services-Matrix.stm) andthe Lead Agency is responsible for maintaining all documentation for audit. For the CCMEP WIOA Youth funds, the fiscal agent for the area is responsible for financial oversight of these activities. These TANF and WIOA funds will be audited at the County level for all requirements, including eligibility and payments for services based on the Services Matrix.

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

*(Source: ODJFS website at:* [*http://jfs.ohio.gov/owd/WorkforceProf/policy\_info.stm*](http://jfs.ohio.gov/owd/WorkforceProf/policy_info.stm)*)*

All monies that flow through the CCMEP will maintain their original identity (TANF will stay as TANF, WIOA will stay as WIOA). Although some additional testing procedures were added to the TANF FACCR, no additional testing procedures are expected to be necessary for the WIOA program. Rather, CCMEP monies can likely be tested along with any other WIOA populations. However, the following considerations may need to be made:

* Service providers with access to both funding streams will need appropriate cost allocation methods in place to fairly split shared costs between WIOA and TANF
* Only TANF eligible participants (or participants eligible for and co-enrolled in both programs) may be funded with CCMEP TANF dollars, and only WIOA Youth eligible (or co-enrolled) participants may be funded with CCMEP WIOA Youth dollars.
* If the Lead agency for the CCMEP is different than the agency administering the rest of the WIOA program, then auditors should consider whether separate controls need to be in place and operating effectively. Similarly, separate or stratified sampling tests for compliance requirements may also be appropriate.

*(Source: AOS CFAE)*

### 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 <https://ohioauditor.gov/references/practiceaids.html>.

*(Source: CFAE)*

# 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 [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 [§ 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 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. ***Waivers and Workforce-Flexibility – Allowed***
   1. Under the Secretary of Labor’s general waiver authority (Adult, Dislocated Worker, and Youth Waivers), the Secretary may waive statutory or regulatory requirements of the adult and youth provisions of the WIOA and Sections 8 through 10 of the Wagner-Peyser Act) (29 USC 49g through 49i) (Section 189(i)(3), WIOA, 128 Stat. 1601).
   2. Under an approved Workforce Flexibility plan, a Governor may be granted authority to approve requests for waivers of statutory or regulatory provisions of Title I submitted by local workforce areas (29 USC 2942; Sections 190(a)-(d), WIOA, 128 Stat.1602 *et seq.*).
2. ***Statewide Activities – Allowed***
   1. Preparing the annual performance progress report and submitting it to the Secretary of Labor, (20 CFR sections 677.160 and 683.300(d) and WIOA, Section 116(d)(1), WIOA, 128 Stat. 1476).
   2. Operating a fiscal and management accountability information system (20 CFR sections 652.8(b) and 682.200(l); Section 116(i), WIOA, 128 Stat. 1481).
   3. Carrying out monitoring and oversight activities (20 CFR sections 682.200(j) and 683.410; Sections 129(b)(1)(E), 134(a)(2)(B)(iv), and 184(a)(4), WIOA, 128 Stat. 1507, 1521, and 1591).
   4. Statewide workforce development activities include:
      1. *Required statewide youth activities*. Administration of youth workforce development activities (Section 129(b)(1), WIOA, 128 Stat. 1506 *et seq*.).
      2. *Other allowable statewide youth activities*. Providing technical assistance and career services to local areas, including local boards, AJC operators, AJC partners, and eligible training providers (Section 129(b)(2), WIOA, 128 Stat. 1507).
      3. *Required statewide adult dislocated workers’ services*. Providing employment and training activities, such as rapid response activities, and additional assistance to local areas (Section 134(a)(2), WIOA, 128 Stat. 1520).
      4. *Other allowable statewide adult dislocated workers’ services*. Establishing and implementing innovative incumbent worker training programs (Section 134(a)(3), WIOA, 128 Stat. 1522 *et seq.)*
   5. Providing support to local areas for the identification of eligible training providers, (Section 122(a)(2), WIOA, 128 Stat. 1493).
   6. Implementing innovative programs for displaced homemakers and programs to increase the number of individuals trained for and placed in non-traditional employment (Section 134(c)(3), WIOA, 128 Stat. 1528).
   7. Carrying out adult and dislocated worker employment and training activities as the State determines are necessary to assist local areas in carrying out local employment and training activities (Section 134(a)(2), WIOA, 128 Stat. 1520).
   8. Carrying out youth activities statewide.
   9. Carrying out required rapid response activities (Section 134(a)(2)(A), WIOA, 128 Stat. 1520).
   10. Disseminating the following:
       1. The State list of eligible training providers for adults and dislocated workers.
       2. Information identifying eligible training providers of on-the-job training and customized training.
       3. Performance and program cost information about these providers.
       4. A list of eligible providers of youth activities (Section 122, WIOA, 128 Stat. 1492 *et seq.*)
   11. Conducting evaluations of workforce activities for adults, dislocated workers and youth, in order to promote, establish, implement, and utilize methods for continuously improving core program activities to achieve high-level performance within, and high-level outcomes from, the workforce development system (Section 116(e), WIOA, 128 Stat. 1479).
   12. Providing incentive grants (Section 134(a)(3)(A)(xi), WIOA, 128 Stat. 1524).
   13. Providing technical assistance to local areas that fail to meet local performance measures (Section 129(b)(2)(E), WIOA, 128 Stat. 1508).
   14. Assisting in the establishment and operation of AJC delivery systems, in accordance with the strategy described in the Unified State Plan.
   15. Providing additional assistance to local areas that have high concentrations of eligible youth (Section 129(b)(1)(F), WIOA, 128 Stat. 1507).
3. ***Local Activities – Allowed***

*Subtitle B, Chapter 3 Adult and Dislocated Worker Employment and Training Activities – Required Activities*

* 1. Funds may be used at the local level to pay for career and training services through the AJC system for program participants.
  2. *Basic Career Services* – The following are basic career services (Sections 134(c)(2)(A)(i) through (xi), WIOA, 128 Stat. 1525 *et seq*., and TEGL 09-16):
     1. Eligibility determination for WIOA services.
     2. Outreach, intake, and orientation to available information and services.
     3. Initial assessment of skill levels, including literacy, numeracy, and English language proficiency, as well as aptitudes, abilities (including skills gaps), and supportive service needs.
     4. Provision of labor exchange services, including job search and placement assistance, as well as career counseling and appropriate recruitment and other business services on behalf of employers.
     5. Provision of referrals to and coordination of activities with other programs and services within the AJC system.
     6. Provision of workforce and labor market employment statistics and job information.
     7. Provision of performance information and program cost information on eligible training providers by program and type of provider.
     8. Provision of information on local area performance.
     9. Provision of information on availability of supportive services r assistance.
     10. Provision of information regarding filing Unemployment Insurance (UI) claims, including meaningful assistance to individuals seeking assistance in filing claims.
     11. Assistance in establishing eligibility for programs of financial aid assistance for training and education programs that are not funded under the WIOA.
  3. *Individualized Career Services* – The following are individualized career services (Section 134(c)(2)(A)(xii), WIOA, 128 Stat. 1527):
     1. Comprehensive and specialized assessments of skill levels and service needs, including diagnostic testing, in-depth interviewing, and evaluation.
     2. Development of an individual employment plan.
     3. Group and/or individual counseling and mentoring.
     4. Career planning.
     5. Short-term pre-vocational services, including development of learning skills, communication skills, interviewing skills, punctuality, personal maintenance skills, and workplace behavior skills training.
     6. Internships and work experiences linked to careers.
     7. Workforce preparation activities, including basic academic skills, critical thinking skills, digital literacy skills, and self-management skills.
     8. Financial literacy services.
     9. Out-of-area job search assistance and relocation assistance.
     10. English-language acquisition and integrated education and training programs.
  4. *Training Services* – The following training services are allowable (Section 134(c)(3)(D), WIOA, 128 Stat. 1529):
     1. Occupational skills training, including training for nontraditional employment
     2. *On-the-job-training (OJT)*. Employers may be reimbursed up to 50 percent, and, in some instances, 75 percent, of the wage rate of an OJT participant for the extraordinary costs of providing the training and additional supervision related to the OJT. The employer is not required to document its extraordinary costs (Section 134(c)(3)(H), WIOA, 128 Stat. 1531). Instances in which the reimbursement level may be up to 75 percent are based on the following criteria:
        1. Participant characteristics, e.g. length of unemployment, current skill level, and barriers to employment;
        2. Size of the employer;
        3. Quality of employer-provided training and advancement opportunities, and
        4. Other factors the State or local board may determine appropriate, such as number of employees participating in the training, wage and benefit levels of employees, and relation of the training to the competitiveness of the participant.
     3. Incumbent worker training (20 CFR section 680.800; Section 134(d)(4), WIOA, 128 Stat. 1535) (see III.G.3.b.(2), “Matching, Level of Effort, Earmarking – Earmarking,” for a limitation).
     4. Programs that combine workplace training with related instruction, including cooperative education programs.
     5. Training programs operated by the private sector.
     6. Skill upgrading and retraining.
     7. Entrepreneurial training.
     8. Transitional jobs, as long as they do not exceed 10 percent of the funds allocated to the local area and are consistent with the requirements of Section 134(d)(5), WIOA, 128 Stat. 1537.
     9. Job readiness training in combination with other training programs.
     10. Adult education and literacy training.
     11. Customized training (Customized training is designed to meet the specific requirements of an employer. Such employers are required to pay a significant portion of the cost of the training (Section 3(14), WIOA, 128 Stat. 1431)).
  5. *Follow-up Services* – Follow-up services may be provided, as appropriate, for participants who are placed in unsubsidized employment, for up to 12 months after the first day of employment. Follow-up services may include counseling about the work place (Section 134(c)(2)(A)(xiii), WIOA, 128 Stat. 1527).

*Subtitle B, Chapter 3 Adult and Dislocated Worker Employment and Training Activities – Other Activities*

At the discretion of the State and local boards, the following services may be provided (Section 134(d), WIOA, 128 Stat. 1532 *et seq.*):

1. Job seeker services, including:
   1. Customer support to enable individuals with barriers to employment to navigate among multiple services,
   2. Training programs for displaced homemakers and for individuals training for nontraditional occupations, and
   3. Work support activities for low-wage workers.
2. Employer services, including:
   1. Customized screening and referral of individuals in career and training services to employers; and
   2. Customized employment-related services to employers, employer associations, or other organization on a fee-for-service basis that are in addition to labor exchange services available to employers under the Wagner-Peyser Act; and
   3. Activities to provide business services and strategies.
3. Coordination activities, including:
   1. Employment and training activities in coordination with child support enforcement and child support services;
   2. Employment and training activities in coordination with cooperative extension programs carried out by the U. S. Department of Agriculture;
   3. Employment and training activities in coordination with activities to facilitate remote access to services provided through the one- stop delivery system, including facilitating access through the use of technology;
   4. Improving coordination with economic development activities to promote entrepreneurial skills training and microenterprise services;
   5. Improving linkages with small employers;
   6. Strengthening linkages with unemployment insurance programs;
   7. Improving coordination of activities for individual with disabilities; and
   8. Improving coordination with other Federal agency supported workforce development initiatives.
4. Implementing pay-for-performance contract strategies for training services.
5. Technical assistance for AJCs, partners, and eligible training providers on the provision of services to individuals with disabilities.
6. Activities for setting self-sufficiency standards for the provision of career and training services.
7. Implementing promising services to workers and businesses.
8. Supportive services, including needs related payments.
9. Locating transitional jobs, which are time-limited work experiences that are subsidized and are in the public, private, or nonprofit sectors. They are for individuals with barriers to employment who are chronically unemployed or who have an inconsistent work history, and are combined with comprehensive career and supportive services. (Section 134(d)(5)(A), WIOA, 128 Stat. 1537).
10. ***Local Activities – Allowed***

*Subtitle B Youth Activities*

* 1. Youth activities can provide a wide array of activities relating to employment, education and youth development. The activities identified in Section 129(c)(2), WIOA (128 Stat. 1509 and 1510) include the following:
     1. Tutoring, study skills training, instruction and evidence-based dropout prevention and recovery strategies that lead to completion of the requirements for a secondary school diploma or its recognized equivalent (including a recognized certificate of attendance or similar document for individuals with disabilities) or for a recognized post-secondary credential;
     2. Alternative secondary school services or dropout recovery services, as appropriate;
     3. Paid and unpaid work experiences that have academic and occupational education as a component of the work experience, which may include the following types of work experiences:
        1. summer employment opportunities and other employment opportunities available throughout the school year;
        2. pre- apprenticeship programs;
        3. internships and job shadowing; and
        4. on-the-job training opportunities;
     4. Occupational skill training, which includes priority consideration for training programs that lead to recognized post-secondary credentials that align with in-demand industry sectors or occupations in the local area involved, if the local board determines that the programs meet the quality criteria described in Section 123, WIOA (128 Stat. 1498);
     5. Education offered concurrently with and in the same context as workforce preparation activities and training for a specific occupation or occupational cluster;
     6. Leadership development opportunities, including community service and peer-centered activities encouraging responsibility and other positive social and civil behaviors;
     7. Supportive services;
     8. Adult mentoring for a duration of at least 12 months that may occur both during and after program participation;
     9. Follow-up services for not less than 12 months after the completion of participation;
     10. Comprehensive guidance and counseling, which may include drug and alcohol abuse counseling and referral, as appropriate;
     11. Financial literacy education;
     12. Entrepreneurial skills training;
     13. Services that provide labor market and employment information about in-demand industry sectors or occupations available in the local area, such as career awareness, career counseling, and career exploration services; and
     14. Activities that help youth prepare for and transition to post- secondary education and training.
  2. Funds allocated to a local area for eligible youth shall be used for programs that:
     1. Objectively assess academic levels, occupational skills levels, service needs (i.e., occupational, prior work experience, employability, interests, aptitudes), supportive service needs of each participant, and developmental needs of each participant, for the purpose of identifying appropriate services and career pathways;
     2. Develop service strategies that are directly linked to one or more indicators of performance of the youth program described in Section 116(b)(2)(A)(ii), WIOA, 128 Stat. 1472, and identify career pathways that include education and employment goals, appropriate achievement objectives, and the appropriate services needed to achieve the goals and objectives for each participant taking into account the assessment conducted; and
     3. Provide activities leading to the attainment of a secondary school diploma or its recognized equivalent, postsecondary education preparation, strong linkages between academic instruction and occupational education that lead to the attainment of recognized postsecondary credentials, preparation for unsubsidized employment opportunities, and effective connections to employers in in-demand industry sectors and occupations of the local and regional labor markets (Section 129(c)(1)(A)(B)(C), WIOA, 128 Stat. 1508).

1. ***Activities Unallowed***
   1. WIOA Title I funds may not be used for the following activities, except as indicated:
      1. Construction, purchase of facilities or buildings, or other capital expenditures for improvements to land or buildings except with the prior approval of the Secretary of Labor. WIOA Title I funds can be used for construction only in limited situations, including meeting obligations to provide physical and programmatic accessibility and reasonable accommodations, certain repairs, renovations, alterations, and capital improvements of property, and for disaster relief projects under Section 170(d), WIOA, 128 Stat.1575, Youth Build programs under Section 171(c)(2)(A)(i), WIOA, 128 Stat. 1578, and for other projects that the Secretary determines necessary to carry out the WIOA, as described under Section 189(c) of WIOA, 128 Stat. 1599.
      2. Employment-generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals, with the exception of employer outreach and job development activities, which are considered directly related to training for eligible individuals (Section 181(e), WIOA, 128 Stat. 1588).
      3. The employment or training of participants in sectarian activities. Participants shall not be employed in the construction, operation, or maintenance of a facility that is or will be used for sectarian instruction or as a place for religious worship. However, WIOA funds may be used for the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship if the organization operating the facility is part of a program or activity providing services to WIOA participants (Section 188(a)(3), WIOA, 128 Stat. 1598).
      4. Encouraging or inducing the relocation of a business or part of a business from any location in the United States if the relocation results in any employee losing his or her job at the original location (Section 181(d)(1)), WIOA, 128 Stat. 1588).
      5. Providing customized training, skill training, or on-the-job training or company specific assessments of job applicants or employees of a business or a part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation resulted in any employee losing his or her job at the original location (Section 181(d)(2), WIOA, 128 Stat. 1588).
      6. Paying the wages of incumbent employees during their participation in economic development activities provided through a Statewide workforce investment system (Section 181(b)(1), WIOA, 128 Stat. 1586).
      7. Public service employment, except to provide disaster relief employment, as specifically authorized in Section 194(10), WIOA (128 Stat.1606).
   2. Funds available to States and local areas under Subtitle B may not be used for foreign travel (29 USC 2931(e), WIOA, 128 Stat. 1588).

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

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

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

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

See [WIOAPL No. 15‐15.2](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_152) and [WIOAPL 17-05](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL17_05), Rapid Response Program Requirements‐ Employer Layoff and Closure Events, and [WIOAPL 15‐16](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_16), Rapid Response Program Requirements‐ Layoff Aversion for additional information.

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

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

The above list represents the minimum services that must be readily available. A complete list of rapid response activities is found in WIA regulations, 20 CFR 665.310.

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

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

Waiver of the 20 CFR 681.550 as noted in [WIOAPL 17-04](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL17-04) allows local workforce development boards to use individual training accounts for in-school youth through Program Year 2019 or June 30. 2020.

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

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

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

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

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

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

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

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

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

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

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

Allowable costs may include only costs directly related to training:

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

Unallowable costs include but are not limited to:

* foreign travel,
* purchase or lease of capital equipment,
* encouragement or inducement of a business or part of a business to relocate from any location in the United States,
* use of IWT funds to pay for a worker's training wages
* use of IWT funds to train management employees in management skills such as Six Sigma and LEAN.

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

Allowable types of training for incumbent workers:

* Skills upgrade training: short-term training that enhances occupation-specific skills or basic skills that lead to a credential/certificate.
* Customized training: Customized training is conducted with a commitment by an employer or group of employers to employ an individual upon successful completion of training. Workforce Innovation and Opportunity Act Policy Letter (WIOAPL) No. 15-24, Customized Training Guidelines, contains further details on customized training.
* Occupational skill training (ITAs): Training that leads to an industry recognized credential or a certificate. WIOAPL No. 15-11.1, Use of Individual Training Accounts, provides additional requirements for ITAs.

*Eligibility for Participating Businesses*

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

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

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

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

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

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

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

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

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

*Training Provider Considerations*

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

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

The training facility should provide an environment that supports learning and be within reasonable proximity to the trainees so the cost and time required for travel is minimized.

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

**Salary and Bonus Limitations**

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

The limit for salary and bonus payments to individuals funded from any ETA program, grant or contract is set at the rate of the level II of the Executive Schedule under section 5313 of title 5, United States Code. A salary table providing this rate is listed on the Federal Office of Personnel Management Web site: [www.opm.gov](http://www.opm.gov/). These levels and the website are revised annually. The [2017 pay tables for Executive and Senior Level Employees](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2017/executive-senior-level) and [2018 pay tables for Executive and Senior Level Employees](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/executive-senior-level) are available. The sum of all bonuses received over the previous 12-month period when added to the employee’s salary may not at any time exceed this limitation.

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

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

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

**Customized Training**

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

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

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

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

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

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

Training for customized training will address:

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

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

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

Allowable and Unallowable Costs for Customized Training

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

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

Unallowable costs include but are not limited to:

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

Employer Match Requirements

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

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

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

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

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

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

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

**20 CFR 683.215**

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

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

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

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

1. Performing the following overall general administrative functions and coordination of those functions under title I of WIOA:
   * 1. Accounting, budgeting, financial and cash management functions;
     2. Procurement and purchasing functions;
     3. Property management functions;
     4. Personnel management functions;
     5. Payroll functions;
     6. Coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;
     7. Audit functions;
     8. General legal services functions;
     9. Developing systems and procedures, including information systems, required for these administrative functions; and
     10. Fiscal agent responsibilities;
2. Performing oversight and monitoring responsibilities related to WIOA administrative functions;
3. Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;
4. Travel costs incurred for official business in carrying out administrative activities; and
5. Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting, and payroll systems) including the purchase, systems development and operating costs of such systems.

AOS is also aware that a question has arisen about whether, for example, a veteran must use GI Bill benefits along with an individual training account. The GI Bill benefits are earned benefits and not grants provided through a general federal program. Title 20 of the Code of Federal Regulations (CFR) Section 680.230 requires the coordination of training funds and other "grant assistance," although it does not define "grant." According to the Veterans' Administration Educational Benefits web site, [www.gibill.va.gov](http://www.gibill.va.gov/), GI educational assistance is a service benefit (analogous to health care benefits), not a grant.

Additionally, there are several forms of military and veteran educational assistance (e.g., the Montgomery GI Bill). Some forms seem more like grants than others, e.g., the "Tuition Top-Off" funds. However, according to the Veterans' Administration, educational benefits may be used for any purpose, e.g., living expenses, as long as the veteran meets the eligibility requirements. The funds are more restricted. Therefore, AOS recommends that auditors determine whether such benefits and policies are being consistently and equitably applied across all individual by the Area when determining the allowability of such costs.

*(Source: AOS CFAE)*

**County Random Moment Sampling (RMS)**

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

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

• Per this OAC code, the income maintenance random moment sample (IMRMS), workforce random moment sample (WFRMS), social services random moment sample (SSRMS), and child welfare random moment sample (CWRMS) time studies are designed to measure county staff activity regarding various programs. The RMS studies are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from FTE reporting done in CFIS. Data collected from these time studies are used to calculate the percentage of time spent on the program. The percentages are used by the County agency system to allocate expenditures reported on the ODJFS 02827 (CFIS Web CR 520) financial statements.

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

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

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

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

Auditors should be alert for the following:

• Expenditures reimbursed as part of the County CAP and being paid directly (could be charged directly to the program or allocated to a cost pool). Many County CAPs include rent therefore the County JFS should not be paying for rent as a direct expense. The County JFS could be paying the County twice for the same expenditure.

• Instances where County JFS offices may show these County CAP expenditures in the CFIS system even when they did not pay them to the County (offset by a negative expenditure in order to balance to the county auditor’s records).

• Less than arm’s length transactions (see example rent issue discussed below).

County family services agencies are not authorized under Ohio law to hold title to real properly. The agencies routinely rent or lease (for federal grants management purposes, the terms are interchangeable) the facilities necessary for their operation. Rental costs are allowable costs to federal programs under 2 CFR 200.465. However, rates must be reasonable in light of such factors as:

• Rental costs of comparable property, if any;

• Market conditions in the area;

• Alternatives available; and

• The type, life expectancy, condition, and value of the property leased.

For specific questions on the RMS process, there are an [RMS manual (dated 4/2015)](http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMS_UserManual.stm) and [WIA RMS Codes](http://jfs.ohio.gov/ofs/bcfta/WIA_RMS_CODES_05_2017.stm) available.

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

### Audit Objectives and Control Testing

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

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

### 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) **with your request for the Non-UG Boilerplate.**  **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 (Only for those who use RMS)**  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. (This would only be for reimbursement of placement administration as placement maintenance is not reimbursed for ProtectOhio counties.) * 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 or is marked 001     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.  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.     6. No unauthorized or vacant positions were included in the RMS sample  1. From the RMS sample in Step 3, select a sample of employees (no duplicates) and determine if RMS charge is supported    1. Obtain payroll listing with job titles and compare to RMS observations completed    2. Review job duties from observation and / or interview with employee    3. Match job activities from RMS with job descriptions in personnel file    4. If employee is an administrative or supervisory, determine whether they are appropriately completing the RMS observations       1. Administrative support employees can participate in RMS if they provide direct services 50% of the time       2. Supervisory employees can participate in RMS if they provide direct services over 50% of the time 2. The information that was previously included in the County RMS Sample Reference list (the list was a recap from ODJFS of the RMS observations information input into the system by the County/district JFS) is available in the WebRMS system.  * Determine if the required number of observations were performed   **Reminder:** Auditors should not put confidential information in the current working papers and should follow established procedures for protection of confidential information. |

### Audit Implications Summary

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

## B. ALLOWABLE COSTS/COST PRINCIPLES

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

### Applicability of Cost Principles

**Important Note:** For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within 2 CFR 200 subpart E 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 §200.420-200.475) 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 [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 [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 [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 [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 [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 [2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF).

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

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

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

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

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

7. Be adequately documented.

**Selected Items of Cost**

[2 CFR 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 [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**

1. *AJC Centers*

DOL, in a collaborative effort with other Federal agencies, published in the *Federal Register,* dated May 31, 2001 (66 FR 29637) a notice that provides guidance on resource sharing methodologies for the shared costs of an AJC service delivery system.

1. *All Subtitle B Statewide and Local Programs*

For those selected items of cost requiring prior approval, the authority to grant or deny approval is delegated to the Governor for youth, adult, and dislocated worker programs.

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

**Written Procedure Requirements:**

[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.

[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.

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

[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.

[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

None noted.

### Indirect Cost Rate

Except for those non-Federal entities described in [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 [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 [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 [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**

[2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF), and [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***

[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 [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 [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 [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 [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:
  + 2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.
  + 2 CFR 200.430 for allowability of compensation costs.
  + 2 CFR 200.431 for written leave policies.
  + 2 CFR 200.464(a)(2) for reimbursement of relocation costs.
  + 2 CFR 200.474 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 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) **with your request for the Non-UG Boilerplate.**  **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 [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 [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 [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 ([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 [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 [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 [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 [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 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) **with your request for the Non-UG Boilerplate.**  **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 [2 CFR part 200, subpart E](2CFR200_subpart%20E.PDF) (sections [200.402 through 200.411](2CFR200.402_thru_411.pdf)).  (b) The principles to establish allowability or unallowability of certain items of cost [(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 [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 [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.

[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) **with your request for the Non-UG Boilerplate.**  **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 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 ([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 [2 CFR section 200.305](2CFR200.305.pdf) ([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 (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 (2 CFR section 200.305(b)(5)).

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 (2 CFR section 200.305(b)(9)).

[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 (2 CFR section 200.305(b)(1)).

**Source of Governing Requirements**

The requirements for cash management are contained in [2 CFR sections 200.302(b)(6)](2CFR200.302(b)(6).pdf) and [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:** The link above <http://www.dpm.psc.gov/> no longer works, please use <https://pms.psc.gov/>.

**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 Part 4 requirements for Cash Management.

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

ODJFS advances WIOA funds to fiscal agents, so cash management requirements will apply**.**

Interest income is reported by the area agencies through their normal reporting mechanism (upload in CFIS and included in 1992 data). The interest reports ODJFS provides to the areas/counties are only a tool for them to use if they have no other way to calculate interest. However, they are required to report actual interest - if possible. If the area agency shows the funding does not earn interest, ODJFS does not require them to report interest. However, if the funds do earn interest, they must report it - whether or not the Area actually receives it from the County Auditor.

*(Source: Sabrina Jamison, Bureau Chief, Bureau of County Finance and Technical Assistance, ODJFS, Office of Fiscal and Monitoring Services,* [Sabrina.Jamison@jfs.ohio.gov](mailto:Sabrina.Jamison@jfs.ohio.gov)*)*

**Ohio Adminastrative Code 5101: 9-7-04:**

* ODJFS notifies the local area fiscal agent at the beginning of the state fiscal year (SFY) of the amounts the local area is eligible to receive.
* The local area, through the area’s designated fiscal agent, makes the WIOA funding available to its subrecipients.
* Each local area and subrecipients of the local areas are **required to establish and maintain a workforce development fund** to be used for all deposits and disbursements of funds for all WIOA activities. All expenditures and reimbursements for activities funded under WIOA are required to be made from the workforce development fund.
* All payments are issued via electronic funds transfer (EFT) .
* A local area may submit requests for cash draws weekly. Requests are processed by ODJFS within six working days.
* Cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The local area shall have cash management procedures in place to ensure compliance

**Quarterly cash on hand calculation**

* + The county finance information system (CFIS) calculates the area’s average days’ cash on hand on an individual grant basis and is reflected on the over/under report as follows:
    - deducting the total expenditures over the lifetime of the funding source, up to the budgeted amount, from the total amount of cash draws over the lifetime of the funding source.
    - then calculate the average expenditures by dividing the total expenditures by the number of calendar days the funding has been available; and
    - then dividing the excess cash on hand by the average daily expenditures
  + The Local WIOA Area shall review the CFIS cash on hand report quarterly to ensure compliance.
  + ODJFS may take additional action (as necessary) to ensure the cash management practices of the local area are in compliance

**Quarterly interest calculation and reconciliation**

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

Local area accruals and liquidations of accruals.

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

The local area shall maintain documentation in accordance with the records retention requirements in rule 5101:9-9-21 of the Administrative Code. This documentation may be subject to inspection, monitoring, and audit by ODJFS and the Ohio auditor of state.

*(Source: Ohio Admin. Code Rule* [*5101: 9-7-04*](http://codes.ohio.gov/oac/5101:9-7-04v1) *(A- F))*

The ODJFS Fiscal Reimbursement and Reporting Manual and [OAC 5101:9-7-03](OAC5101.9.7.03.pdf)(B)(1) says requests for cash draws may be submitted weekly and are processed by the Ohio department of job and family services (ODJFS) in six working days. In accordance with 45 CFR part 75 and transmittal number TANF-ACF-PI-01-02 issued by the United States department of health and human services (DHHS), cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The CDJFS shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten day average for all federal funding.

**Therefore, we should deem amounts on hand significantly exceeding 10 days’ needs, as noncompliant**

*(Source: AOS CFAE)*

### 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 [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 2 CFR 200.302(b)(6) to minimize the time elapsing between the transfer of funds. 7
* It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(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) **with your request for the Non-UG Boilerplate.**  **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 ([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 [(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 ([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 ([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

### OMB Compliance Requirements

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

**Source of Governing Requirements**

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

*(Source: 2017 OMB Compliance Supplement 3.2)*

**Part 4 OMB Program Specific Requirements**

1. **Eligibility for Individuals**
   1. *All Programs*

*Selective Service* – No participant may be in violation of section 3 of the Military Selective Service Act (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).

* 1. *All Subtitle B Statewide and Local Programs*
     1. An adult must be 18 years of age or older (Section 3(2), WIOA, 128 Stat. 1429).
     2. A dislocated worker means an individual who meets the definition in Section 3(15), WIOA, 128 Stat. 1431).
     3. A dislocated homemaker means an individual who meets the definition in Section 3(16), WIOA, 128 Stat. 1432).
     4. An in-school youth and an out-of-school youth are eligible to participate in workforce investment activities if they meet the definition in Section 129(a)(1)(B) and (C), WIOA, 128 Stat. 1504 *et seq*.
  2. *Subtitle B Youth Activities*

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

* + 1. An “out-of-school youth” is an individual who is:
       1. Not attending any school (as defined under State law);
       2. Not younger than 16 or older than age 24 at time of enrollment. (Because age eligibility is based on age at enrollment, participants may continue to receive services beyond the age of 24 once they are enrolled in the program); and
       3. One or more of the following:
          1. A school dropout;
          2. A youth who is within the age of compulsory school attendance, but has not attended school for at least the most recent complete school year calendar quarter (school year calendar quarter is based on how a local school district defines its school year quarters); in cases where schools do not use school year quarters, local programs must use calendar year quarters);
          3. A recipient of a secondary school diploma or its recognized equivalent who is a low-income individual and is either basic skills deficient or an English language learner;
       4. An offender;
       5. A homeless individual, aged 16 to 24 who meets the criteria defined in Section 41403(6) of the Violence Against Women Act of 1994 (42 USC 14043e–2(6)), a homeless child or youth aged 16 to 24 who meets the criteria defined in Section 725(2) of the McKinney-Vento Homeless Assistance Act (42 USC 11434a(2)) or a runaway;
       6. An individual in foster care or who has aged out of the foster care system or who has attained 16 years of age and left foster care for kinship guardianship or adoption, a child eligible for assistance under Section 477 of the Social Security Act (42 USC 677), or in an out-of-home placement;
       7. An individual who is pregnant or parenting;
       8. An individual with a disability;
       9. A low-income individual who requires additional assistance to enter or complete an educational program or to secure or hold employment. (Sections 3(46) and 129(a)(1)(B), WIOA, 128 Stat. 1437 and 1504).
    2. An “in-school youth” is an individual who is:
       1. Attending school (as defined by State law);
       2. Not younger than age 14 or (unless an individual with a disability who is attending school under State law) older than age 21;
       3. A low-income individual; and
       4. One or more of the following:
          1. Basic skills deficient;
          2. An English language learner;
          3. An offender;
          4. A homeless individual, aged 14 to 21 who meets the criteria in Section 41403(6) of the Violence Against Women Act of 1994 (42 USC 14043e–2(6)), a homeless child or youth aged 14 to 21 who meets the criteria in Section 725(2) of the McKinney- Vento Homeless Assistance Act (42 USC 11434a(2)), or a runaway;
          5. An individual in foster care or who has aged out of the foster care system or who has attained 16 years of age and left foster care for kinship guardianship or adoption, a child eligible for assistance under Section 477 of the Social Security Act (42 USC 677), or in an out-of-home placement;
          6. An individual who is pregnant or parenting;
          7. An individual with a disability;
          8. An individual who requires additional assistance to complete an educational program or to secure or hold employment (Sections 3(27) and 129(a)(1)(C), WIOA, 128 Stat. 1435 and 1505).

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

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

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

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

Documentation requirements increase for participants who receive basic career services triggering participation, individualized career services, or training services. Definitions and examples of basic career services and individualized career services are contained in Workforce Innovation and Opportunity Act Policy Letter (WIOAPL) No. 15-08.1, Career Services for Adults and Dislocated Workers.

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

See Allowable Source Documentation for WIOA Program Eligibility and the [WIOAPL 15-07-1](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_071) for additional methods local areas may use. Also see the [Allowable Source Documentation Chart](WIOA_Program_Eligibility_Source_Documentation_Chart_06.2018.pdf).

*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-07.1 Source Documentation for WIOA Title I Program Eligibility from June 25, 2018)*

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

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

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

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

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

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

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-19.1*](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_191) *Poverty Income Guidelines and Lower Living Standard Income Level from June 28, 2018)*

The Poverty Income Guidelines are available online.

*(Source:* [*http://aspe.hhs.gov/poverty/index.cfm*](http://aspe.hhs.gov/poverty/index.cfm)*.)*

**Individual Training Accounts (ITA) details can be found in** [**WIOAPL 15-11.1**](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_111)**.**

*(Source:* [*ODJFS Workforce Investment Act Policy Letter No. 15-11.1*](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_111)*)*

Waiver of the 20 CFR 681.550 as noted in [WIOAPL 17-04](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL17-04) allows local workforce development boards to use individual training accounts for in-school youth through Program Year 2019 or June 30. 2020.

**Training Services for Adult and Dislocated Workers**

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

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

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

Detailed information regarding training services, Individual training accounts, training providers, and apprenticeship programs can be found in [WIOAPL 15.09.1](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_091).

[WIOAPL 15.09.1](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15_091) also contains requirements for Local Areas, reporting requirements and monitoring.

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

**Needs-Related Payments (NRPs)**

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

*Eligibility for Needs-Related Payments*

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

*Adult Eligibility*

To be eligible for NRPs, an Adult must:

1. Be unemployed;

2. Not be qualified for or have ceased to qualify for Unemployment Compensation (UC); and,

*Note: An error exists in this policy on-line stating Be qualified rather than not be qualified. However, per inquiry with Ron Weber the source of the policy is 20 CFR 680.940 and WIOA Section 134(d)1()(B)(3) and should be tested accordingly.*

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

*Dislocated Worker Eligibility*

To be eligible for NRPs, a Dislocated Worker must:

Part 1 – Financial Need

1. Individuals must have a three-month family income of less than the Lower Living Standard Income Level (LLSIL).

2. Determination of financial need may be determined up to ninety days prior to the start of training. This initial determination of eligibility is based on the family income from the prior three months.

And

Part 2 – Training & UC/TRA Status

1. Be unemployed, and:

a. Have ceased to qualify for UC or TRA; and

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

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

1. Be unemployed and did not qualify for UC or TRA.

If the participant is not initially eligible and his or her financial situation changes during the course of training, eligibility may be re-determined throughout the course of participation. However, the timeframe requirements for beginning training (if applicable) and the family income requirements must be met in order to begin issuing NRPs.

If these eligibility requirements are met, individuals may be awarded NRPs from WIOA funding prior to the start date of training classes for the purpose of enabling the individual to participate employment and training services that begin within thirty (30) calendar days.

Note: Verification demonstrating proof of UC payments, amounts paid, and the fact that the participant is no longer receiving benefits, all need to be part of the participant's file.

*Continuing Eligibility to Receive NRPs*

Participants receiving NRPs must re-qualify for these benefits during the period of the training program every ninety days from the date of the original determination. This re-determination shall be based on the family income for the previous ninety day period. Any income from NRPs will not be included. The total revised family income so determined shall continue to be annualized to determine the participant's current eligibility for NRPs. Where the revised family income exceeds the LLSIL, the eligible participants shall not be eligible for NRPs. Where the revised family income does not exceed the LLSIL, the eligible participant shall continue to receive NRPs. NRPs are not allowable for participants receiving UC, TRA, OJT, and relocation assistance.

*WDB Policy Requirements*

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

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

[*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-14 Needs-Related Payments (NRPs) Using Adult and Dislocated Worker Formula Funds from July 15, 2015)*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-14.stm)

**Adult and Dislocated Worker Eligibility**

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

*Statutory Eligibility Requirements for Adult and Dislocated Workers*

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

* Be legally authorized to work in the United States;
* Be 18 years of age or older;
* Be properly registered for selective service (refer to WIOAPL No. 15-04, Selective Service Registration, for details, including the list of exceptions to this requirement).

There are no additional eligibility criteria for the adult program. However, priority for career and training services funded by and provided through the adult program shall be given to recipients of public assistance, other low-income individuals, and individuals who are basic skills deficient for receipt of those career services determined appropriate to obtain or retain employment.

*Additional Statutory Eligibility Requirements for Dislocated Workers*

In addition to the requirements listed above, an individual must also fall into one or more of the following eligibility categories:

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

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

Category B: Plant Closure or Substantial Layoff

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

Category C: Self-Employed Individual

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

Category D: Displaced Homemaker

* Is a displaced homemaker.

Category E: Military Spouse

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

*Special Eligibility Conditions for Dislocated Workers*

The following are special circumstances that, when met, allow the worker to be determined eligible for the dislocated worker program

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

* The Ohio Job Insurance (OJI) system selects claimants who have no return to work date, are not job attached, have received a first UC payment, and were previously employed in a declining industry for participation in both programs. These selected claimants are considered to be unlikely to return to their previous occupations or industries and are considered dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff From Employment.

B. Trade Eligible

* The Trade Adjustment Act (TAA) is a program that assists individuals, who became unemployed as a result of increased imports, with their return to suitable employment based upon an approved petition. The TAA program provides reemployment services and allowances for eligible individuals. Applicants are considered to be dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff From Employment, when the affected worker provides a copy of the petition approval letter or a screen shot from the "Program Data" tab on "Basic Intake" from the Ohio Workforce Case Management System (OWCMS) indicating that the individual is trade eligible.

C. Locked-out Workers

* Locked-out workers are considered to be dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff From Employment, when an ODJFS Office of Unemployment Compensation hearing officer has issued a determination that a lockout exists. The listing of ODJFS Unemployment Compensation lockouts can be found at: <http://jfs.ohio.gov/owd/WorkforceProf/policy_info.stm> .

D. Buyouts and Forced or Early Retirements

* Workers who receive buyouts or who are forced to retire are considered dislocated workers under Category A: Terminated or Laid Off, or Received a Notice of Termination or Layoff From Employment, when all of the following conditions are met:
* The employer has offered a buyout or early retirement or forced an early retirement as a means to reduce its workforce by providing a financial incentive for long-term (and therefore better paid) workers to leave their employment; and
* The participating workers would not be voluntarily leaving their positions or retiring from employment at this time; and
* The worker is eligible for Unemployment Insurance (UI); and
* Is unlikely to return to a previous industry or occupation.

E. Transitioning Service Members and Recently Separated Veterans

* Dislocated worker funds can help transitioning service members or recently separated veterans enter or reenter the civilian labor force. If the transitioning service member or the recently separated veteran is separating from the Armed Forces with a discharge that is anything other than dishonorable, the transitioning service member or recently separated veteran qualifies for dislocated worker activities based on the following criteria:
  + The transitioning service member or recently separated veteran has received a notice of separation, a DD-214 from the Department of Defense, or other documentation showing a separation or imminent separation from the Armed Forces to satisfy the termination or layoff part of the dislocated worker eligibility criteria;
  + The transitioning service member or recently separated veteran qualifies for the dislocated worker eligibility criteria on eligibility for or exhaustion of unemployment compensation; and
  + As a transitioning service member or recently separated veteran service member, the individual meets the dislocated worker eligibility criteria that the individual is unlikely to return to a previous industry or occupation.

[*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-02 Adult and Dislocated Worker Eligibility from July 15, 2015)*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-02.stm)

**Youth Program Eligibility**

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

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

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

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

Local areas implementing WIOA Youth program services must ensure that participant eligibility for such services and participant school status are accurately determined based on the following requirements. Each eligibility factor must be verified in accordance with the policy on source documentation for WIOA programs. For detail on the WIOA Youth Program Eligibility see [WIOAPL 15-03.1](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15-03).

*(Source:* [*ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-03.1*](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL15-031) *Youth Program Eligibility from September 4, 2018)*

***NOTE:* THE LOCAL AREA PROVIDERS ARE PERMITTED TO ESTABLISH THEIR OWN ELIGIBILITY CRITERIA (WHICH MUST BE CONSISTENT WITH THE FEDERAL PROGRAM CRITERIA, BUT CAN SOMETIMES BE MORE SPECIFIC/RESTRICTIVE) BASED UPON THE NEED IN THEIR LOCAL AREA. AUDITORS MUST OBTAIN A COPY OF THE LOCAL AREA’S ELIGIBILITY CRITERIA AND INCORPORATE ANY SIGNIFICANT REQUIREMENTS INTO THIS SECTION OF THE FACCR AND TEST ACCORDINGLY.**

*(Source: AOS CFAE)*

### Audit Objectives and Control Testing

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

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

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

### 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 \_\_\_\_\_\_\_\_\_\_** |

## F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

**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

***Equipment Management -- Grants and Cooperative Agreements***

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000 ([2 CFR section 200.33](2CFR200.33.pdf)). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR section 200.313(a)).

*Non-Federal Entities Other than States – See here for* [*2 CFR 200.313 (a)-(e)*](2CFR200.313.pdf)

Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR sections 200.313(c) and (e)).
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).
3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).
4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR section 200.313(d)(3)).
5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4)).
6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR section 200.313(d)(5)).

7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of $5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold. The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency’s participation in total project costs ([2 CFR section 200.313](2CFR200.313.pdf)(e) and [200.41](2CFR200.41.pdf)).

The COFAR’s Frequently Asked Questions includes the following, which addresses the relationship between the requirement for property records to show the percentage of Federal participation in the project costs and the calculation of the Federal interest.

.313-2 Changes to Equipment Inventory Systems.

*Section 200.313(d)(1) of the guidance specifies the attributes that must be maintained in property records of the non-Federal entity. For non-Federal entities that have followed Circular A-110, there are two changes: “percentage of Federal participation in the project costs” (Uniform Guidance) versus “information from which one can calculate the percentage of Federal participation in the cost of the equipment” (A-110.34(f)(1)(vi), and “the location, use and condition of the property” (Uniform Guidance) versus “location and condition of the equipment and the date the information was reported” (A-110.34(f)(1)(vii). Are non-Federal entities expected to change the attributes of their property records and ultimately be required to implement costly changes to their existing equipment inventory systems?*

No. The requirements for property records have not substantively changed in the Uniform Guidance. The requirements for property records are meant to ensure that the non-Federal entity maintains an equipment inventory system that demonstrates the Federal entity has an effective system of controls to account for and track equipment that has been acquired with Federal funds. Non-Federal entities are not expected to change their equipment inventory systems or the data elements contained in those systems, if they are in compliance with the current requirements in Circular A-110. In the examples in question:

- The percentage of Federal participation in the cost of equipment in Circular A-110 was identical to the percentage of Federal participation in the cost of the original project or program. One could infer that from the amount of compensation a recipient was required under 2 CFR 215.34(g) to make to a Federal agency at the time of disposition—i.e., “compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment.” The A-110 requirement in 2 CFR 215.34 for the recipient’s records to have information from which one could calculate the percentage of Federal participation in the cost of the equipment then required two numbers, the percentage of Federal participation in the original project or program and information from which one could derive the current fair market value. The Uniform Guidance makes that more explicitly clear through the definition of Federal interest in [2 CFR 200.41](2CFR200.41.pdf); and

-“the location, use and condition of the property” is referring to an indicator in the property records that the specific equipment item I active and linked with the appropriate Federal award, identical to the requirement in Circular A-110.

**Note**: Intangible property that is acquired under a Federal award, rather than developed or produced under the award, is subject the requirements of [2 CFR section 200.313(e)](2CFR200.313.pdf) regarding disposition ([2 CFR section 200.315(a)](2CFR200.315a.pdf)).

***Real Property Management -- Grants and Cooperative Agreements***

Title to real property acquired or improved by non-Federal entities under grants and cooperative agreements vests in the non-Federal entity subject to the obligations and conditions specified in [2 CFR section 200.311](2CFR200.311.pdf) (2 CFR section 200.311(a)). Real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber title to or other interests in the real property (2 CFR section 200.311(b)).

When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or the pass-through entity, as applicable. When real property is sold, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return. If sold, non-Federal entities must compensate the Federal awarding agency for the portion of the net sales proceeds that represents the Federal agency’s interest in the real property, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency’s participation in total project costs. If the property is retained, the non-Federal entity must compensate the Federal awarding agency for the Federal portion of the current fair market value of the property. Disposition instructions may also provide for transfer of title to the Federal awarding agency or a designated third party, in which case the non-Federal entity is entitled to the non-Federal interest in the property, which is calculated by multiplying the current market value or sale proceeds by the non-Federal entity’s share in total project costs (2 CFR section 200.311(c)(3)).

***Equipment and Real Property Management – Cost-Reimbursement Contracts Under the Federal Acquisition Regulation (FAR)***

Equipment and real property management requirements for cost-reimbursement contracts are specified in the FAR clause at [48 CFR section 52.245-1](48CFR52.245.1.pdf). Federal government property as defined in the FAR includes both equipment and real property. Title to Federal government property acquired by a non-Federal entity normally vests in the Federal government, unless otherwise noted in the contract terms and conditions. The FAR requires:

1. A system of internal controls to manage (control, use, preserve, protect, repair, and maintain) Federal government property and a process to enable the prompt recognition, investigation, disclosure and reporting of loss of Federal government property.
2. Federal government property must be used for performing the contract for which it was acquired unless otherwise provided for in the contract or approved by the Federal awarding agency.
3. Property records must be maintained and include the name, part number and description, and other elements as necessary and required in accordance with the terms and conditions of the contract, quantity received, unit acquisition cost, unique-item identifier, accountable contract number, location, disposition, and posting reference and date of transaction.
4. A physical inventory must be periodically performed, recorded, and disclosed.

Except as provided for in the contract, the non-Federal entity must not dispose of inventory until authorized by the Federal awarding agency. The non-Federal entity may purchase the property at the unit acquisition cost if desired or make reasonable efforts to return unused property to the appropriate supplier at fair market value.

**Source of Governing Requirements**

The requirements for equipment and real property are contained in [2 CFR section 200.313](2CFR200.313.pdf) (equipment), [2 CFR section 200.311](2CFR200.311.pdf) (real property), [48 CFR section 52.245-1](48CFR52.245.1.pdf) (equipment and real property), 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:**

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

**Part 4 OMB Program Specific Requirements**

Recipients and subrecipients may permit employers to use WIOA-funded local area services, facilities, or equipment, on a fee-for-service basis, to provide employment and training activities to incumbent workers if this does not interfere with utilization by eligible participants and the income generated from such fees is treated as program income (Section 194(13), WIOA, 128 Stat. 1607; 20 CFR section 683.200(c)(9)).

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

Through discussion with the U.S. Department of Labor, if an asset has been purchased for $5,000 or more or has a current per-unit fair market value of more than $5,000 and was originally charged to a cost pool, then that cost pool can be listed under percentage of federal participation. When the asset is sold or otherwise disposed of, the same cost pool must be refunded using current allocation at the time of disposal.

*(Source: AOS CFAE)*

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Equipment_and_Real_Property_Management_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) **with your request for the Non-UG Boilerplate.**  **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. Inventory Management of Equipment Acquired Under Federal Awards  a. Identify equipment acquired and trace selected purchases to the property records. Verify that the property records contain the required information.  b. Verify that the required physical inventory of equipment was performed. Test whether any differences between the physical inventory and equipment records were resolved.  c. Select a sample from all equipment acquired under Federal awards from the property records and physically inspect the equipment and determine whether the equipment is appropriately safeguarded and maintained.  2. Disposition of Equipment Acquired Under Federal Awards  a. Identify equipment dispositions for the audit period and perform procedures to verify that the dispositions of equipment acquired under Federal awards were properly reflected in the property records.  b. For dispositions of equipment acquired under grants and cooperative agreements with a current per-unit fair market value of $5,000 or more, verify whether the Federal awarding agency was reimbursed for the Federal portion of the current market value or sales proceeds.  c. For dispositions of equipment acquired under cost-reimbursement contracts, verify that the non-Federal entity followed Federal awarding agency disposition instructions.  3. Disposition of Real Property Acquired Under Federal Awards  a. Identify real property dispositions for the audit period and determine whether such real property was acquired or improved under Federal awards.  b. For dispositions of real property acquired or improved under Federal awards, perform procedures to verify that the non-Federal entity followed the instructions of the Federal awarding agency or pass-through entity, which normally require reimbursement to the Federal awarding agency for the Federal portion of net sales proceeds or fair market value at the time of disposition, as 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 \_\_\_\_\_\_\_\_\_\_** |

## 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, [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 [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 [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:**

* DOL has made additions and edits to part 306. 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**

1. **Matching** – Not Applicable
2. **Level of Effort** – Not Applicable
3. **Earmarking**
   1. *Statewide Activities*
   2. The Governor shall reserve not more than 15 percent of each of the amounts allotted to the State Adult, Dislocated Worker, and Youth Activities for a fiscal year to carry out statewide activities under Section 129(b) or statewide employment and training activities for adults or dislocated workers under section 134(a) (Section 128(a), WIOA, 128 Stat. 1502).
   3. Not more than 5 percent of the funds allotted to a State under Section 127(b)(1)(C) of WIOA shall be used by the State for administrative activities related to youth workforce investment and employment and training activities (Section 129(b)(3), WIOA, 128 Stat 1508).
   4. The State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers. The funds are used to plan and deliver services to enable dislocated workers to transition to new employment as quickly as possible, following either a permanent closure or mass layoff, or a natural or other disaster resulting in a mass job relocation (20 CFR section 682.350; Sections 133(a)(2) and 134(a)(2)(A), WIOA, 128 Stat. 1516 and 1520).
   5. *Local Areas*
      1. A local area may expend no more than 10 percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under Sections 128(b) (WIOA, 128 Stat. 1502) and 133(b) (WIOA, 128 Stat. 1516) for within State allocations. The funds provided for administrative costs by one of the three fund sources (Adult, Dislocated Worker, Youth Activities) can be used for administrative costs of the other two sources.
      2. The amount that may spent on incumbent worker training may not exceed 20 percent of the amount of the combined total of Federal funds allocated to local areas to carry out the Adult and Dislocated Worker programs for a program year (20 CFR section 680.800; Section 134(d)(4), WIOA, 128 Stat. 1535).
   6. *Youth Activities*
      1. A minimum of 75 percent of the Youth Activity funds allocated to States and local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (Section 129(a)(4)(A), WIOA, 128 Stat. 1506).
      2. Not less than 20 percent of Youth Activity funds allocated to the local area, except for the local area expenditures for administration, must be used to provide paid and unpaid work experiences (Section 129(c)(4)), WIOA, 128 Stat. 1510).
   7. WIOA authorizes workforce investment areas, with the approval of the Governor, to transfer up to 100 percent of the Adult Activities funds to Dislocated Workers Activities, and up to 100 percent of Dislocated Workers Activities funds to Adult Activities (Section 133(b)(4), WIOA, 128 Stat. 1518).

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

**Incumbent Worker Training (IWT) Guidelines**

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

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

*Cost Sharing Requirements for Incumbent Worker Training*

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

The non-federal share shall not be less than:

1. 10 percent of the cost, for employers with not more than 50 employees;
2. 25 percent of the cost, for employers with more than 50 employees but not more than 100 employees; and
3. 50 percent of the cost, for employers with more than 100 employees..

[*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-23 Incumbent Worker Training (IWT) Guidelines from March 29, 2016)*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-23.stm)

**Work Experience for Youth**

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

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

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

Per section 129 (c)(4) of the WIOA, not less than 20% of the youth program funds shall be used to provide youth participants with paid and unpaid work experiences. Expenses counted toward the 20% include staff time and effort to arrange for and monitor the work experiences, wages paid to participants, and stipends or incentives paid to partipants who are in unpaid work experience. Also see [TEGL 21.16](https://wdr.doleta.gov/directives/attach/TEGL/TEGL_21-16.pdf) for additional guidance.

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

Local workforce areas are required to expend at least 75 percent of WIOA Youth program funds on Out-of-School Youth (OSY) participants. In recognition of CCMEP’s innovative co-funding strategies and the infusion of unprecedented TANF resources to benefit this population, ODJFS requested and received the following waiver: Waiver of WIOA requirement to expend at least 75 percent of youth funds to provide services to out-of-school youth to include a combination of WIOA and TANF funds. More details on this and other CCMEP waivers may be found in [WIOA Policy Letter 17-04](http://www.odjfs.state.oh.us/lpc/calendar/fileLINKNAME.asp?ID=WIOAPL17-04). Also see [WIOA OSY Rate Memo](3-13-18_Adjusted_WIOA_OSY_rate_under_waiver_authority_memo.pdf).

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

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

### 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

|  |
| --- |
| **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) **with your request for the Non-UG Boilerplate.**  **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 – Not Applicable**  **2.1** **Level of Effort** – *Maintenance of Effort* **– Not Applicable**  **2.2** **Level of Effort** – *Supplement Not Supplant* **– Not Applicable**  **3. Earmarking**  a. Identify the applicable percentage or dollar requirements for earmarking.  b. Perform procedures to verify that the amounts recorded in the financial records met the requirements (e.g., when a minimum amount is required to be spent for a specified type of service, perform procedures to verify that the financial records show that at least the minimum amount for this type of service was charged to the program; or, when the amount spent on a specified type of service may not exceed a maximum amount, perform procedures to verify that the financial records show no more than this maximum amount for the specified type of service was charged to the program).  c. When earmarking requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.  d. When the earmarking requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account (e.g., if only 10 percent may be spent for administrative costs, review accounts for other than administrative costs to identify administrative costs which were improperly classified elsewhere and cause the maximum percentage or amount to be exceeded).  e. When earmarking requirements prescribe the minimum number or percentage of specified types of participants that can be served, select a sample of participants that are counted toward meeting the minimum requirement and perform tests to verify that they were properly classified.  f. When earmarking requirements prescribe the maximum number or percentage of specified types of participants that can be served, select a sample of other participants and perform tests to verify that they were not of the specified type. |

### Audit Implications Summary

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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 ([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 ([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 ([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”), [2 CFR section 200.77](2CFR200.77.pdf) (definition of “period of performance”), 2 CFR section 200.309 (period of performance), [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**

*Local Areas*

Funds allocated by a State to a local area for any program year are available for expenditure only during that program year and the succeeding program year. Funds which are not expended by a local area in thefirst2-year period must be returned to the State, which can use the funds for statewide projects during the third program year of availability, or distribute the funds to local areas which had fully expended their allocation of funds for the same program year within the 2-year period (29 USC 2939(g)(2)).

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

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

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| WIOA Funding Stream | Federal Allotment Rec’d | Allocated to 20 Local Areas | Local End Date | Local Liquidation Date | Federal End Date for ODJFS |
| PY16 Youth | Apr-16 | Jul-16 | 6/30/18 | 9/30/18 | 6/30/19 |
| PY16 Adult | Jul-16 | Jul-16 | 6/30/18 | 9/30/18 | 6/30/19 |
| PY16 Dis. Wkr | Jul-16 | Jul-16 | 6/30/18 | 9/30/18 | 6/30/19 |
| FY17 Adult | Oct-16 | Oct-16 | 6/30/18 | 9/30/18 | 6/30/19 |
| FY17 Dis. Wkr. | Oct-16 | Oct-16 | 6/30/18 | 9/30/18 | 6/30/19 |

ODJFS keeps 25 percent of its Dislocated Worker allotment as Rapid Response funding, which is awarded to local areas who apply for the funds based on local needs related to dislocated workers, usually to deal with mass layoffs. The most recent FY funds are awarded for the Federal Fiscal Year (October through September) only (i.e. SFY18 awards to local areas would utilize FY18 grant dollars and have a 9/30/18 end-date and 12/31/18 liquidation date). The area may apply for more funding in the subsequent federal fiscal year if the need for services persists. Under WIOA, unobligated balances of Rapid Response not used by the local areas may be spent by ODJFS for its statewide activities, so prior-year issuances of two-year old or three-year-old Rapid Response grant funds are no longer awarded to the local areas.

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

### 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): |

### 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) **with your request for the Non-UG Boilerplate.**  **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. |

### 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 [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 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 2 CFR section 200.319.

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 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 (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 (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 2 CFR section 200.320(c); the competitive proposals method under the conditions specified in 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 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 (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 (2 CFR section 200.323(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR part 200, “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 [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:**

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

### 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**

1. *All Subtitle B Statewide and Local Programs*

All procurement contracts and other transactions between local boards and units of State or local governments must be conducted only on a cost-reimbursement basis. No provision for profit is allowed (20 CFR section 683.200(c)(4); Section 184(a)(3)(B), WIOA, 128 Stat. 1591).

2. *Subtitle B Youth Activities*

The grant recipient/fiscal agent has the option to provide directly some or all of the youth workforce investment activities. However, as provided in WIOA Section 123, if a local board chooses to award grants or contracts to youth service providers to carry out some or all of the youth workforce investment activities, the local board must award such grants or contracts on a competitive basis. If the local board determines there is an insufficient number of eligible youth providers in the local area, such as a rural area, the local board may award grants or contracts on a sole-source basis (20 CFR section 681.400).

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

**Written Procedure Requirements:**

[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.

[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.

[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.

[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

*NOTE: “Procurements” in this context would not include, for example, payments made for employment services, tuition, etc. The legitimacy of these payments would be determined by the eligibility of the service provider. (See Eligibility section.)*

*(Source: AOS CFAE)*

**Procurement of Training**

WDBs have several options to determine how best to provide the training needed by a business as described below:

1. Local WDBs may enter into contracts with eligible training providers (ETP) without any additional procurement requirements. Utilization of the state of Ohio's ETP list is for universally applicable off-the-shelf employer training and is not intended to include unique, specialized, or employer-specific training.
2. A business may be considered a "beneficiary" of this federal program and receive incumbent worker training assistance on a reimbursement basis. WIOA subrecipients and vendors are not considered to be beneficiaries. In order for a business to utilize the beneficiary option, the following guidelines must be followed:
   1. Business beneficiaries may receive reimbursement for their actual training costs incurred under this program, on a reimbursement basis, as outlined in this policy.
   2. Local WDB approval of a training plan is required before reimbursement may be provided to a beneficiary. The development of training plans is the joint responsibility of the local WDB director and the business.
   3. The training plan must identify all of the following:
      1. The provider(s) of training:
      2. Type of training
      3. Planned start and end dates;
      4. Number of individuals to be trained;
      5. The projected cost of training; and
      6. Any other information required by the WDB.

All training costs must be allowable as defined in this policy. Training plans must be approved by the local WDB or WDB director prior to the start date of training. Beneficiaries must agree to provide all documentation required by the WDB in order to be reimbursed for the training.

* 1. Training providers are not required to be listed on the state's eligible training provider list for the purpose of providing training under paragraph 2 of this section. WDBs may assist business beneficiaries in identifying potential providers of training; however, the selection of a training provider is not subject to state or federal procurement requirements.

1. For businesses not following the guidelines in paragraph 2 of this section and have training needs that cannot be provided by Ohio's eligible training providers, local WDBs will need to follow proper procurement procedures as identified in rules 5101:9-4-07 and 5101:9-4-07.1 of the Ohio Administrative Code, or local procurement policies if more restrictive..

[*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-23 Incumbent Worker Training (IWT) from March 29, 2016)*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-23.stm)

20 CFR 683.200 (a) Uniform Guidance. Recipients and subrecipients of a Federal award under title I of WIOA and the Wagner-Peyser Act must follow the Uniform Guidance at 2 CFR parts 200, 215, 225, 230, including any exceptions identified by the Department at 2 CFR part 2900.,, 20 CFR 683.200 (c)(4) In addition to the requirements at 2 CFR 200.317 through 200.326 (as appropriate), all procurement contracts between Local WDBs and units of State or local governments must be conducted only on a cost reimbursement basis.

2 CFR 200.319 (a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section… 2 CFR 200.319 (b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

20 CFR 679.410 (a)(1) A Local WDB may be selected as a one-stop operator:

(i) Through sole source procurement in accordance with § 678.610 of this chapter; or

(ii) Through successful competition in accordance with § 678.615 of this chapter.

20 CFR 681.400 (b)(2) The Local WDB must procure the youth service providers in accordance with the Uniform Guidance at 2 CFR parts 200 and 2900, in addition to applicable State and local procurement laws. [WIOA Policy Letter 17-03](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-17-03.stm) permits some services to be awarded to the CCMEP lead agency without competitive procurement.

2 CFR 200.323 (b) The non-Federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed.

2 CFR 200.320 The non-Federal entity must use one of the following methods of procurement…. 2 CFR 200.320 (f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or

(4) After solicitation of a number of sources, competition is determined inadequate.

*(Source: ODJFS, Robert Cintala,* [*cintar@odjfs.state.oh.us*](mailto:cintar@odjfs.state.oh.us)*)*

**Local Workforce Development Area Governance**

OhioMeansJobs Center Operator

The OhioMeansJobs center operator must be competitively procured by the local WDB. Minimally, the OhioMeansJobs center operator is the coordinator of the OhioMeansJobs partners. Therefore, the OhioMeansJobs center operator must perform the following:

* Coordinate service delivery among partners as defined in the memorandum of understanding;
* Coordinate service delivery among physical OhioMeansJobs centers and electronic sites;
* Coordinate services across the local area workforce development system;
* Implement local WDB policies; and
* Report to the local WDB on operations, performance accountability, and continuous improvements.

However, the entity selected to be the operator may also be procured to provide career services to adult and dislocated workers and/or youth program services.

The OhioMeansJobs center operator cannot assume functions that are inherently the responsibility of the local board and its staff.

[*(Source: ODJFS Workforce Innovation and Opportunity Act Policy Letter No. 15-18.1 Local Workforce Development Area Governance updated January 30, 2017)*](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-18-1.stm)

### 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 [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:
  + 2 CFR 200.318(c)(1) for employee conflicts of interest.
  + 2 CFR 200.318(c)(2) for organizational conflicts of interest.
  + 2 CFR 200.320(d)(3) for selection and awarding of competitive contracts.
  + 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 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): |

### 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) **with your request for the Non-UG Boilerplate.**  **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 ([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 ([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 ([2 CFR section 200.318(i)](2CFR200.318(i).pdf) and [48 CFR part 44](48CFR_Part_44.pdf) and section [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 [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 ([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 ([2 CFR sections 200.319](2CFR200.319.pdf) and [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 [(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 ([2 CFR sections 200.212](2CFR200.212.pdf) and [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

**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

Program income is gross income earned by a non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance (unless there is a requirement for disposition of program income after the end of the period of performance as provided in [2 CFR section 200.307(f)](2CFR200.307(f).pdf)).

Program income ([2 CFR section 200.80](2CFR200.80.pdf)) includes, but is not limited to income from:

* Fees for services performed,
* The use or rental of real or personal property acquired under Federal awards,
* The sale of commodities or items fabricated under Federal awards,
* License fees and royalties on patents and copyrights, except as provided below, and
* Principal and interest on loans made with Federal award funds.

Program income does not include:

* Interest earned on advances of Federal funds.
* Except as otherwise provided in Federal statutes, regulations or the terms and conditions of the Federal award, rebates, credits, discounts and interest earned on any of them.
* Taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity, unless the Federal award or Federal awarding agency regulations specifically identify the revenues as program income ([2 CFR section 200.307(c)](2CFR200.307(c).pdf)).
* The proceeds from the sale of equipment or real property acquired in whole or in part under the Federal award ([2 CFR section 200.307(d)](2CFR200.307(d).pdf)).
* Royalties or income earned by an institution of higher education or a nonprofit organization on inventions conceived or first actually reduced to practice in the performance of work under a funding agreement with a Federal agency that is shared with the inventor ([2 CFR section 200.307(g)](2CFR200.307(g).pdf); [37 CFR sections 401.2](37CFR401.2.pdf) and [401.14(k)](37CFR401.14(k).pdf); 35 USC 201(i), and 35 USC 202(c)(7)(B)).

If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determineprogramincome, provided those costs have not been charged to the Federal award ([2 CFR section 200.307(b)](2CFR200.307(b).pdf)).

Program income may be used in any of the following three methods, consistent with [2 CFR section 200.307(e)](2CFR200.307(e).pdf):

1. Deduction.

Program income is deducted from total allowable costs in order to determine the net allowable costs, rather than to increase the funds committed to the project. This method must be used if the Federal awarding agency has given no prior approval for how program income is to be used and its regulations and the terms and conditions of the Federal award are silent on this matter. Where this method is used, program income must be applied to current costs unless the Federal awarding agency authorizes otherwise (2 CFR section 200.307(e)(1)).

2. *Addition*.

With prior approval of the Federal awarding agency, program income may be added to the Federal award by the Federal agency and the non-Federal entity. This method must be used for Federal awards to institutions of higher education and nonprofit research institutions if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used (2 CFR section 200.307(e)(2)).

3. *Cost Sharing or Matching*.

With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same (2 CFR section 200.307(e)(3)).

Unless Federal awarding agency regulations or the terms and conditions of the Federal award specify otherwise, non-Federal entities have no obligation to the Federal government regarding program income earned after the end of the period of performance ([2 CFR section 200.307(f)](2CFR200.307(f).pdf)).

**Source of Governing Requirements**

The requirements that apply to program income are contained in [2 CFR section 200.80](2CFR200.80.pdf) (definition of “program income”), [2 CFR section 200.307](2CFR200.307.pdf) (program income), 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:**

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

**Part 4 OMB Program Specific Requirements**

1. The addition method is required for use of all program income earned under WIOA grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIOA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIOA program (Section 194(7), WIOA, 128 Stat. 1606; 20 CFR section 683.200(c)(6)).

2. WIOA specifically includes as program income: (a) receipts from goods and services, including conferences; (b) funds provided to a service provider in excess of the costs associated with the services provided; and (c) interest income earned on funds received under WIOA. Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income earned (Section 194(7), WIOA, 128 Stat. 1606; 20 CFR sections 683.200(c)(7) and (c)(8)).

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

None noted.

### Audit Objectives and Control Testing

[**See here for the OMB Supplement Audit Objectives and Compliance Requirements**](Program_Income_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) **with your request for the Non-UG Boilerplate.**  **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 Program Income*  a. Review the statutes, regulations, and terms and conditions of the Federal award applicable to the program and ascertain if program income was anticipated. If so, ascertain the requirements for determining or assessing the amount of program income (e.g., a scale for determining user fees, prohibition of assessing fees against certain groups of individuals, etc.), and the requirements for recording and using program income.  b. Inquire of management and review accounting records to ascertain if program income was received.  2. *Determining or Assessing Program Income* – Perform tests to verify that program income was properly determined or calculated in accordance with stated criteria, and that amounts collected were classified as program income only if collected from allowable sources.  3. *Recording of Program Income* – Perform tests to verify that all program income was properly recorded in the accounting records.  4. *Use of Program Income* – Perform tests to ascertain if program income was used in accordance with [2 CFR section 200.307(e)](2CFR200.307(e).pdf) and the program requirements set by the Federalawarding agency in its regulations and the terms and conditions of the award. |

### 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 \_\_\_\_\_\_\_\_\_\_** |

## 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 ([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, [2 CFR section 200.327](2CFR200.327.pdf)
* Monitoring and reporting program performance, [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:**

* DOL and DOT has made additions and edits to part 327. 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**

**1. Financial Reporting**

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

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

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

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

**2. Performance Reporting** – Not Applicable

**3. Special Reporting** – Not Applicable

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

**1. Financial Reporting**

**Traditional WIOA Reporting**

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

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

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

**(D) Quarterly interest calculation and reconciliation**

* + - A local area shall calculate and report earned interest quarterly.
    - Interest on the cumulative amount of excess cash on hand shall be compounded daily and calculated by the local area using either the average monthly interest rate earned.
    - The local area may take into consideration the months in which the local area used local funds for program purposes other than for local match and, therefore, operated on a reimbursement basis,
    - The format of the quarterly reconciliation will include, at a minimum, the following:
      * The monthly interest liability owed by the local area or the monthly offsetting interest liability and
      * The total net interest liability owed by the local area or the total net offsetting interest liability.
    - A local area, as subgrantee, may keep interest amounts up to five hundred dollars per year for administrative expenses.
    - ODJFS shall not be liable to the local area for any interest liability based upon the local area using local funds for program purposes.

*(Source: Ohio Admin. Code OAC 5101:9-7-04 (C(1) & D))*

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

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

(A) Quarter-end reporting.

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

(2) The local area has access to reports based on financial data submitted in county finance information system (CFIS) in accordance with rule [5101:9-7-29](file:///\\aos03\shared%20folders\CFAE\A&amp;A\FACCRs_All\FACCRs-Standard\17%20-%20Labor\Workforce%20Investment%20Act%20Cluster%20(WIA)\2018\OAC5101.9.7.29.pdf) of the Administrative Code.

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

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

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

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

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

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

(B) Quarter reconciliation.

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

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

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

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

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

(C) The local area shall retain financial, programmatic, statistical, recipient records, and supporting documents in accordance with the records retention requirements outlined in rule 5101:9-9-21 of the Administrative Code. This documentation may be subject to inspection, monitoring, and audit

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

**2. Performance Reporting** – Performance indicators are tracked and reported by ODJFS. No testing by AOS is required.

**3. Special Reporting**

***OhioMeansJobs Centers***

[WIOAPL 15-21](http://emanuals.jfs.ohio.gov/Workforce/WIOA/WIOAPL/WIOAPL-15-21.stm) identifies the Reporting Requirements for OhioMeansJobs Center Universal Customers.

***Rapid Response System***

ODJFS mandates the collection and reporting of rapid response data elements at the local level. There are two levels of reporting for dislocation events: employer and worker. This requires the utilization of two separate data systems.

*Employer /event data tracking (Ohio Rapid Event Data):*

ODJFS has implemented a rapid response information tracking system, OhioRED. OhioRED records all of the information significant to the dislocation event from the initial contact with the employer through the worker orientation session(s) for the impacted workers. The system is a hub that tracks and facilitates scheduling as well as services among the state staff, local staff, contracted partners, ODJFS, CDJFS offices, AJC systems and local workforce areas.

Initial data for each dislocation event must be entered into OhioRED within 24 hours or one business day of event verification. The individual responsible for data entry shall be determined by the local rapid response team, and may vary by event.

In order to ensure consistency of data collected for sufficiently tracking and reporting Ohio's dislocation events, four forms have been developed for use at the local level. Forms can be found in the procedure manual, through Forms Central using the following form numbers:

* ODJFS Initial Rapid Response Contact Report (JFS 01810)
* ODJFS Rapid Response Characteristics Worksheet (JFS 1811)
* ODJFS Post-Initial Meeting Rapid Response Report (JFS 01812)
* ODJFS Post Orientation Rapid Response Report (JFS 01814)

*Worker Data (OWCMS Mini-Registration):*

All individual workers who attend a worker orientation session must be entered into OWCMS mini-registration. Data for the OWCMS mini-registration can be acquired, among other methods, by using the State's Dislocated Worker Survey (JFS 08124). The rapid response identification (RRID) number assigned at the point of data entry into OhioRED will be entered into OWCMS mini-registration in order to track individual workers accessing services from each event. Although data elements are minimal for workers at this level of service, it is the beginning of a log of services that can then be used to ensure a smooth transition to WIA program enrollment, should additional services be needed.

It is anticipated that the most common point of initial entry for individual workers will follow a worker orientation session. However, for those workers who do not attend an orientation session but who visit an AJC seeking assistance, the appropriate RRID number must be identified and entered accordingly into OWCMS mini-registration as supplemented by information gathered in the State's Dislocated Worker Survey. The data will assist in tracking workers from specific events and can be used to justify need for additional rapid response funds, as well as provide the State with data needed to assess the impact of rapid response services throughout the state.

The designated local rapid response team member must enter potentially affected worker data into OWCMS mini-registration within five (5) working days of the worker orientation session(s). The only exception for this five working day window is if the AJC uses the Ohio standardized dislocated worker survey and chooses to mail the completed surveys to the ODJFS Rapid Response Unit for entry.

*(Source: AOS CFAE, & Ron Weber, the Ohio Department of Job and Family Services Office of Workforce Development, Policy Manager)*

### Audit Objectives and Control Testing

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

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

### Suggested Audit Procedures – Compliance

|  |
| --- |
| **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) **with your request for the Non-UG Boilerplate.**  **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 applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to reporting requirements. Determine the types and frequency of required reports. Obtain and review Federal awarding agency or pass-through entity, in the case of a subrecipient, instructions for completing the reports.  a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual).  b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.  2. Select a sample of reports and perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:  a. Comparing current period reports to prior period reports.  b. Comparing anticipated results to the data included in the reports.  c. Comparing information obtained during the audit of the financial statements to the reports.  3. Select a sample of each of the following report types, and test for accuracy and completeness:  a. *Financial reports*  (1) Ascertain if the financial reports were prepared in accordance with the required accounting basis.  (2) Review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on Federal funds, and reserve funds).  (3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records. If reports require information on an accrual basis and the entity does not prepare its accounting records on an accrual basis, determine whether the reported information is supported by available documentation.  (4) For any discrepancies noted in SF-425 reports concerning cash status when the advance payment method is used, review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved with the applicable payment system.  b. *Performance and special reports*  (1) Review the supporting records and ascertain if all applicable data elements were included in the sampled reports. Trace the reported data to records that accumulate and summarize data.  (2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.  c. *For each type of report*  (1) When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to the data.  (2) Test mathematical accuracy of reports and supporting worksheets.  4. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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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 [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 [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 [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 [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 ([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)), [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:**

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

**Part 4 OMB Program Specific Requirements**

Recipients must ensure that commercial organizations that are subrecipients under WIOA Title I and expend more than the minimum level specified in 2 CFR part 200, subpart F, have either an organization-wide audit conducted in accordance with 2 CFR part 200 or a program-specific financial and compliance audit (20 CFR section 683.210.

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

### Additional Program Specific Information

None noted.

### 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): |

### 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) **with your request for the Non-UG Boilerplate.**  **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 [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 [2 CFR part 200, subpart F](2CFR200_subpart_F.pdf), met this requirement [(2 CFR section 200.331(f)](2CFR200.331(f).pdf)). This verification may be performed as part of the required monitoring under [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

There are no applicable Special Tests and Provisions compliance requirements.

*(Source: 2017 OMB Compliance Supplement, Part 4, U.S. Department of Labor, WIA/WIOA Cluster)*

## 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 **(**[**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 [Section 200.511(b)](2CFR200.511(b).pdf) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[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.

[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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