**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

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

|  |  |
| --- | --- |
| **Federal Award Name:** | Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) |
| **AL#:** | 10.557 |

# Important Information

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

*Blue italicized text indicates guidance from CFAE.*

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

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

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

**Navigation Pane**

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

**Table of Contents**

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

**Guidance Links**

Links to guidance referenced throughout this document are included below:

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

# Agency Adoption of the UG and Example Citations

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

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

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

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

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# Compliance Requirement Matrix

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | | | **Applicable per Compliance Supplement**  *(Yes/No)* | **Direct & Material to Program / Entity**  *(Yes/No)* | **Monetary**  **or Nonmonetary**  *(Set by CFAE)*  *(M/N)* | **Population Subject to Requirement (if Monetary)**  *(in $)* | **Inherent Risk**  **(from IRAF)**  *(High/Low)* | **Final Control Risk**  *(High/Low)* | **Detection**  **Risk of Noncompl.**  *(High/Low)* | **Overall Audit Risk of Noncompl.**  *(High/Low)* | **Federal Materiality by Compliance Requirement**  *(usually 5%)* |
| **A** |  | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |  | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |  | **Cash Management** | Yes |  | N |  |  |  |  |  | 5% |
| **D** |  | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E** |  | **Eligibility** | Yes |  | M/N |  |  |  |  |  | 5% |
| **F** |  | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |  | **Matching, Level of Effort, Earmark** | No |  |  |  |  |  |  |  |  |
| **H** |  | **Period of Performance** | Yes |  | M |  |  |  |  |  | 5% |
| **I** |  | **Procurement & Sus. & Debarment** | Yes |  | N |  |  |  |  |  | 5% |
| **J** |  | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |  | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |  | **Reporting** | No |  |  |  |  |  |  |  |  |
| **M** |  | **Subrecipient Monitoring** | No |  |  |  |  |  |  |  |  |
| **N** |  | **Special Tests & Provisions** | No |  |  |  |  |  |  |  |  |

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

**(2)** *If the Compliance Supplement notes a compliance requirement as being applicable to the program in the first column, it still may not apply at a particular entity either because that entity does not have activity subject to that type of compliance requirement, or the activity could not have a material effect on a major program. If the Compliance Supplement indicates that a type of compliance requirement is applicable and the auditor determines it also is direct and material to the program at the specific entity being audited, the auditor should answer this question “Yes,” and then complete the remainder of the line. Alternatively, if the auditor determines that a particular type of compliance requirement that normally would be applicable to a program (as per part 2 of the Compliance Supplement) is not direct and material to the program at the specific entity being audited, the auditor should answer this question “No.” Along with that response, the auditor should document the basis for the determination in the working papers or this FACCR. When making that determination all parts of that compliance requirement must be considered. For example, Equipment and Real Property Management contains procedures regarding Acquisitions, Dispositions (Disposals), and Inventory Management. The documentation on why the compliance requirement is not be applicable to the program/entity must address all parts of that compliance requirement.*

***(3)*** *Refer to the AICPA Single Audit Guide, chapter 10, Compliance Auditing Applicable to Major Programs, for considerations relating to assessing inherent risk of noncompliance for each direct and material type of compliance requirement. For AOS auditors, the auditor documents the inherent risk assessment for each direct and material compliance requirement on the Inherent Risk Assessment Form (IRAF). The assessments in this column should directly tie to the final inherent risk assessment on the IRAF.*

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

**(5)** *Audit risk of noncompliance is defined in AU-C 935 as the risk that the auditor expresses an inappropriate opinion on the entity’s compliance when material noncompliance exists. Audit risk of noncompliance is a function of the risks of material noncompliance and detection risk of noncompliance. A “Low” assessment of detection risk in this matrix means that the risk has been reduced to an acceptable level.*

***(6)*** *The AICPA Single Audit Guide 10.55 states the auditor’s tests of compliance with compliance requirements may disclose instances of noncompliance. The Uniform Guidance refers to these instances of noncompliance, among other matters, as “audit findings.” Such findings may be of a monetary nature and involve questioned costs or may be nonmonetary and not result in questioned costs. CFAE included the monetary vs. nonmonetary determinations for each compliance requirement in this program. If AOS auditor believe the determination of monetary vs. nonmonetary should be updated for a particular section, other than sections E and N, they must consult with CFAE via the FACCR specialty in Spiceworks. The Eligibility and Special Tests & Provisions determinations reflect M/N as the determination of whether the compliance requirement is monetary or non-monetary is contingent upon the specific requirements of the program being tested as well as requirements contained within the grant agreement. For sections E and N, auditors should tailor the assessment as appropriate based on the facts and circumstances of their entity’s operations, update the Compliance Requirement Matrix for the appropriate designation (N or M), and document the research and reasoning behind the determination.*

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

*Note: If the compliance requirement is (1) of a monetary nature, and (2) the requirement applies to the* ***total*** *population of program expenditures, then the compliance materiality amount for the program also equals materiality for the requirement as shown in the last column of the matrix. For example, the population for allowable costs and cost principles will usually equal the total Federal expenditures for the major program as a whole. Conversely, the population for some monetary compliance requirements may be less than the total Federal expenditures. Auditors must carefully determine the population subject to the compliance requirement to properly assess Federal materiality. Auditors should also consider the qualitative aspects of materiality. For example, in some cases, noncompliance and internal control deficiencies that might otherwise be immaterial could be significant to the major program because they involve fraud, abuse, or illegal acts. The program level materiality, typically 5%, is documented in the Record of Single Audit Risk (RSAR).*

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

*Control Risk Assessment:*

*Auditors must:*

* *Document the five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material compliance requirement and*
* *Perform procedures to obtain an understanding of internal control over compliance for federal programs that is sufficient to plan the audit to support a low assessed level of control risk.*

*If internal control over compliance for a compliance requirement is likely to be ineffective in preventing or detecting noncompliance, the auditor is not required to plan and perform tests of internal control over compliance. Rather, the auditor must assess control risk at maximum, determine whether additional compliance tests are required, and report a significant deficiency (or material weakness) as part of the audit findings.*

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

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

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

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

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

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

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

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

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

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

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

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

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

# Part I – OMB Compliance Supplement Information

Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136), Families First Coronavirus Response Act (the Act) (Pub. L. No. 116-127), the American Rescue Plan Act of 2021 (Pub. L. No. 117-2), and in light of the exceptional circumstances of the ongoing public health emergency, the Food and Nutrition Service (FNS) granted several waivers for the aforementioned programs to ease program operations at the state and local levels and minimize the potential exposure to the novel coronavirus (COVID-19).

To view a complete portfolio of waivers, their descriptions, and states elected or requested to implement these waivers, please go to <https://www.fns.usda.gov/disaster/pandemic/covid-19>. Each individual waiver contains a link to view the full description along with each state approved to implement the waiver. In addition, copies of individual state waivers are available at the links for each state.

For auditing purposes during this public health emergency, it is recommended that the audit community obtain the list of waivers from the audited state agency and local agency and adapt the audit test steps to reflect these flexibilities. Each waiver offered has reporting requirements that must be adhered to by the state agency. For example, pursuant to section 2202(d) of the Act, each state that elects to be subject to a waiver under section 2202(a)(b)(c) must submit a report to the secretary not later than one year after the date such state received the waiver. The report must include: (1) a summary of the use of this waiver by the state agency and local program operators; and (2) a description of whether and how this waiver resulted in improved services to program participants. Although there is no requirement for auditors to test reporting requirements for waivers applied by the state agency, auditors should be aware of this reporting requirement for each waiver exercised by the state agency. Documentation must be maintained by the state agency summarizing the use of each waiver and how each waiver improved its services to program participants.

In addition, the 2022 Compliance Supplement for the FNS programs listed in this document contain the procedures that auditors would normally follow during customary program operations. Due to COVID-19 and the subsequent closures, as in the case of the public schools, FNS would expect instances when it is not possible to perform certain audit steps as written in the Compliance Supplement. Such instances should be documented by the auditors.

Questions regarding this document should be directed to FNS’s Office of Financial Management, Office of Internal Controls, Audits and Investigations at [SM.FN.FM-SingleAudits@usda.gov](mailto:SM.FN.FM-SingleAudits@usda.gov).

*(Source: 2023 OMB Compliance Supplement, USDA - Multiple Program Covid-19 Waivers)*

### I. Program Objectives

The objective of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is to provide to provide low-income pregnant, breastfeeding, and postpartum women, infants, and children to age 5 who have been determined to be at nutritional risk, supplemental nutritious foods, nutrition education, and referrals to health and social services at no cost. WIC also promotes and supports breastfeeding as the feeding method of choice for infants, provides substance abuse education, and promotes immunization and other aspects of healthy living.

The USDA’s Food and Nutrition Service (FNS) makes funds available to participating state agencies (usually health departments). State agencies distribute the funds to participating local agencies, which operate WIC clinics. State and local agencies use WIC funds to pay the costs of specified supplemental foods provided to WIC participants, and to pay for specified Nutrition Services and Administration (NSA) costs, including the cost of nutrition assessments, blood tests for anemia, nutrition education, breastfeeding promotion and support, and health care referrals.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### II. Program Procedures

**A. Administration**

The USDA’s FNS administers the WIC program through grants awarded to state health departments or comparable state agencies, Indian tribal organizations, bands or intertribal councils, or groups recognized by the Bureau of Indian Affairs, US Department of the Interior, or the Indian Health Service (IHS) of the US Department of Health and Human Services (HHS) (“ITOs”). A state agency administering the WIC program must sign a federal/state agreement that commits it to observe applicable laws and regulations in carrying out the program. The state agencies, in turn, award subgrants to local agencies to certify applicants’ eligibility for WIC program benefits and deliver such benefits to eligible persons.

**B. Program Funding**

The WIC program is a grant program that is 100 percent federally funded. No state matching requirement exists. Funds are awarded by FNS on the basis of funding formulas prescribed in the WIC program regulations.

FNS allocates federally appropriated funds to WIC state agencies as grants, which are divided into two parts: a component for food costs and a component for NSA costs. Resources made available to a state agency under these two components of its initial federal WIC formula grant may be modified by the cumulative effect of the following requirements:

*1. Reallocations and Recoveries*

The WIC Program’s authorizing statute and regulations require FNS to recover unspent funds and reallocate them to state agencies.

*2. Conversion Authority*

A state agency that submits a plan to increase WIC participation under a cost containment strategy, as outlined under the “Cost Containment Requirements” section below, in excess of the increases projected by FNS in the NSA funds allocation formula, may shift a portion of its food grant component to its NSA component. This “conversion authority” is a function of the “excess” participation increase and is determined by FNS (see III.A.2, “Activities Allowed or Unallowed – Exceptions”).

*3. Spending Options*

Federal legislation and regulations authorize a state agency to shift a portion of its federal WIC formula grant between grant periods (federal fiscal years) (see III.H, “Period of Performance”).

*4. Rebates*

A state agency may contract with a food manufacturer to receive a rebate on each unit of the manufacturer’s product purchased with food instruments (FIs) redeemed by program participants. Such rebates are credits for food costs that are reported in the month in which the rebate was received.

*5. Vendor, Participant, and Local Agency Collections*

A state agency is authorized to retain federal program funds recovered through claims action against vendors, participants, and local agencies, and to use such recoveries for program purposes (see III.B, “Allowable Costs/Cost Principles”).

*6. Program Income*

Certain miscellaneous receipts a state agency collects as the result of WIC program operations are classified as program income (see III.J, “Program Income”).

*7. State Funding*

Although the federal financial participation (FFP) for WIC is 100 percent, some states voluntarily appropriate funds from their own revenues to extend WIC services beyond the level that could be supported by federal funding alone.

**C. Certification**

Applicants for WIC program benefits are screened at WIC clinic sites to determine whether they meet the eligibility criteria in the following categories: categorical, residency, income, and nutritional risk (see III.E.1, “Eligibility – Eligibility for Individuals”).

**D. Benefits**

The WIC program provides participants with specific nutritious supplemental foods, nutrition education (including breastfeeding promotion and support), and health services referrals at no cost. The authorized supplemental foods are prescribed from standard food packages according to the category and nutritional need of the participant. The seven food packages available are described in detail in WIC program regulations.

About 75 percent of the WIC program’s annual appropriation is used to provide WIC participants with monthly food package benefits. The remainder is used to provide additional services to participants and to manage the program. Additional services provided to WIC participants include nutrition education, breastfeeding promotion and support activities, and client services, such as diet and health assessments, referral services for other health care and social services, and coordination activities.

**E. Food Benefit Delivery**

Supplemental foods are provided to participants in any one of three ways, which are defined in program regulations at 7 CFR section 246.12(b) as follows:

*Direct Distribution Food Delivery Systems* (used in West Virginia, Delaware, Pennsylvania, Maryland, and in parts of Illinois, for example)

The state agency and/or its agent purchases supplemental foods in bulk and issues them to participants at designated distribution facilities.

*Home Food Delivery Systems* (used in parts of Alaska)

Arrangements with home food delivery contractors provide for the delivery of supplemental foods directly to participants’ homes.

*Retail Food Delivery System* (used by most state agencies)

Negotiable FIs are issued directly to individual participants, who use them to obtain authorized supplemental foods at retail stores approved as vendors by the state agency. FIs can be either paper checks/vouchers or electronic benefit transfer (EBT) cards and may be processed by a bank and/or processor or the WIC state agency itself. For paper checks, the participant must use an FI within 30 days of the first date of use printed on the FI, and the vendor must submit the FI for payment within 60 days of that date. For EBT cards, the participant must redeem all benefits by the end of 30 days from the first date on which it was issued except for the first month of issuance. The benefit balance associated with the EBT account cannot be redeemed after the end date specifically authorized by the state agency management information system.

Negotiable paper cash-value vouchers (CVVs) or EBT cash-value benefits (CVBs) are issued directly to participants, who use them to obtain authorized fruits and vegetables from WIC-authorized vendors or farmers or farmers’ markets authorized by the state agency (if the state agency elects to authorize farmers or farmers’ markets). FIs and CVVs/CVBs share several features. Both are negotiable for stated periods of time. Unlike other FIs, CVVs, and CVBs are issued with face values in standard denominations. Under EBT systems, the CVB is established as a separate food category with a benefit unit of dollars rather than food quantities. No additional EBT card or voucher is issued by the state agency.

Each paper FI or CVV issued to a participant must have a unique serial number. In EBT, the card number represents the unique serial number for off-line benefit tracking, while a unique benefit identification (ID) number is used for on-line tracking. A state agency is required to determine the ultimate disposition of all FIs and CVVs by serial number or ID number within 120 days of the first valid date for participant use. The state agency must adjust previously reported obligations for WIC food costs in order to account for actual FI or CVV redemptions and other changes in the status of FIs or CVVs. For EBT, the CVB is accounted for as a unique benefit in the same manner as other items in the food balance.

**F. Cost Containment Requirements**

In an effort to use their food funding more efficiently, all WIC state agencies in the 50 states, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Commonwealth of the Northern Marianas Islands, and most ITOs have implemented cost containment measures. Reducing the average food cost per person enables WIC to reach more participants with a given amount of funds. The most successful strategy has been the negotiation of competitive rebate contracts between state agencies and infant formula companies. Such contracts provide for the state agency to receive rebates on infant formula used in the program. Other cost containment measures used by state agencies include competitive bidding for infant cereal, infant meats, infant fruits, and infant vegetables; selection of retail vendors based on competitive prices; setting maximum redemption amounts for FIs or food items for EBT; authorizing the use of store or generic brands of supplemental foods; and using a home delivery or direct distribution food delivery system.

*1. Vendor Cost Containment*

Requirements for selecting and paying vendors on the basis of competitive prices are in 7 CFR section 246.12(g)(4). These requirements do not apply to farmers, farmers’ markets, or to CVVs transacted by retail vendors. Unless FNS has granted a state agency an exemption, the state agency is required to:

a. Maintain (and assess and modify, as necessary) a vendor peer group system, whereby authorized vendors are classified into groups on the basis of common characteristics or criteria that affect food prices. At least one such criterion must be a measure of geography, such as metropolitan or other statistical areas that form distinct labor and products markets.

b. Select and authorize vendors by applying competitive price criteria.

c. Set limits on payments to vendors within each peer group.

d. Identify vendors (called “above-50-percent vendors”) that derive more than 50 percent of their annual food sales revenue from WIC FIs.

e. Comply with requirements designed to ensure that the use of above-50- percent vendors is cost neutral to the program (that is, that it does not result in higher WIC food costs than would have been the case if WIC participants had transacted their WIC FIs only at regular vendors). (See III.N.4, “Special Tests and Provisions – Authorization of Above-50- Percent Vendors.”)

**G. Federal Oversight and Compliance Mechanisms**

FNS oversees state operations through an organization consisting of headquarters and seven regional offices. Federal program oversight encompasses review of the nine functional areas of the program through management evaluations (MEs): Organization and Management; Funding and Participation; Vendor Management; Information Systems; Certification, Eligibility, and Coordination; Nutrition Services; Civil Rights; Monitoring and Audits; and Food Delivery. Each year, FNS issues a WIC ME Target Area Memorandum, which instructs regional offices what to evaluate via MEs the following year. Target Areas are established in order to focus FNS’s oversight efforts on key areas related to WIC program integrity and operations. Usually, the Target Area comprises one functional area and risk-based MEs.

Although FNS uses technical assistance extensively to promote improvements in state operation of the WIC program, enforcement mechanisms are also present. The misuse of funds through state or local agency negligence or fraud may result in the assessment of a claim. Claims may be established for funds lost due to FI or CVV theft or embezzlement or for unreconciled FIs or CVVs. FNS has other mechanisms to recover other losses and the cost of negligence. For other forms of noncompliance, FNS has the authority to give notice and, if improvements do not occur, withhold administrative funds for failure to implement program requirements.

FNS has identified the following circumstances that may indicate noncompliance with WIC program requirements: (1) redeemed FIs or CVVs which the issuing local agencies had reported as voided or unclaimed; (2) a large number of consecutively numbered, unreconciled FIs or CVVs issued by the same local agency; (3) redeemed FIs or CVVs that appear to have been validly issued but fail to match issuance records; and (4) participants that transacted all of their FIs or EBT balances on the same day as they were issued.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### III. Source of Governing Requirements

The WIC Program is authorized by Section 17 of the Child Nutrition Act of 1966 (42 USC 1786). Program regulations are found at 7 CFR Part 246.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### IV. Other Information

**Availability of Other Program Information**

For other information, contact the applicable FNS regional office. Regional office contact information and the states each regional office serves may be found on FNS’s website (<http://www.fns.usda.gov/wic>). The WIC program regulations can be found at that website as well.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

# Part II – Pass through Agency and Grant Specific Information

### Program Overview

U.S. Department of Agriculture passes WIC funding through to the Ohio Department of Health (ODH).

In Ohio, ODH recipients are governed by the uniform administration guidelines in the ODH Grants Administration Policy and Procedure Manual (GAPP Manual). Several sections of that manual are used as sources within this document. The manual should be available from the local entity for auditors to review; however, the OGAPP Manual is also available on the ODH web site. ODH updated the requirements for deliverable subgrant programs.

*(Source:* [*OGAPP Manual*](https://odh.ohio.gov/wps/wcm/connect/gov/4778786c-ea5b-48a3-9536-a1fe0b79574c/04-OFA-M03-OGAPP-Manual-V100-3-Rev-12-1-17.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_M1HGGIK0N0JO00QO9DDDDM3000-4778786c-ea5b-48a3-9536-a1fe0b79574c-mI9NdFj)*, Updated December 2017)*

### Testing Considerations

**Ohio Department of Health:**

**Subgrant Types and Requirements (Requirements include but are not limited to the lists**

**below)**

**100% Base Funding**

* Subrecipients must follow all the policies spelled out throughout this manual except for the policies related to 100% deliverables.
* Examples:
  + Time and Effort reporting must be completed for all staff charged less than 100% to a specific funding source.
  + Timesheets must be completed for all staff charged to an ODH subgrant.
  + Contracts must contain the requirements outlined in the OGAPP manual.
  + Invoices must be maintained.
  + Program and fiscal monitoring will occur.

**Base and Deliverable Funding**

* For base funding, refer to the base funding information listed above.
* For deliverable funding, refer to the deliverable funding information listed below.
* Timesheets must be completed for all staff charged to an ODH subgrant.
* Contracts must contain the requirements outlined in the OGAPP manual.
* Invoices must be maintained.
* Subrecipients are required to complete Time and Effort reports for all staff charged less than 100% to a specific funding source.

**100% Deliverable Funding**

* Subrecipients must complete Time and Effort reports for all staff charged less than 100% to deliverable funding.
* Timesheets must be completed for all staff charged to an ODH subgrant.
* Contracts must contain the requirements outlined in the OGAPP manual.
* Invoices must be maintained.
* ODH will reimburse subrecipients for the successful completion of a deliverable.
* Subrecipients will not be reimbursed if the deliverable is not successfully met by the timeline set forth in the solicitation.
* Subrecipients cannot use budget leverage to move money between deliverable line items. Any movement of funding must be pre-approved by program staff prior to the submission of a budget revision. Deliverable costs to the project shall not exceed the amount in the approved budget.
* Indirect costs cannot be charged against a deliverable line item.
* Subrecipients must be able to properly account for all revenue received from ODH and can tie the revenue back to each subgrant program. Agencies are not required to have separate accounts. If a subrecipients does not have a separate account, a unique identifier must be established to identify each subgrant program.
* Payments for deliverables are based on the deliverable payment schedule, the subrecipients completion of each deliverable and ODH’s validation of the completion.
* The automatic payment for subrecipients who request costs more than 2 times for unmet deliverables will be removed.
* Deliverable-based subgrant programs match or project income will not be reported on the expenditure reports in GMIS. A match or project income reporting form will be provided and must be attached in GMIS with the submission of the monthly or quarterly expenditure report.
* Subrecipients are not required to provide a copy of contracts established to complete deliverables. Subrecipients are required to maintain a copy of the contract that contains the contract requirements outlined in OGAPP.
* Subrecipients must follow their internal policies and procedures.
* Subgrant programs may vary. Subrecipients should thoroughly review the solicitation for any program specific deliverable requirements.

**B1.0 Conditions of a Subrecipient**

No applicant shall be funded if the terms and conditions of the Solicitation (formerly known as Request for Proposal) have not been met by the submission due date of the application.

Enforcement of the OGAPP begins when the application is submitted. Before the Director of Health can approve an applicant for funding, the applicant must meet the following criteria:

1. Applicant must prove eligibility as a qualifying organization (i.e. the applicant must be a local government, hospital, educational institution, or non-profit corporation).
2. Applicant must submit all required assurances. The assurances shall be current and have been signed by the applicant in the calendar year of application. The assurances shall be accurate. Any assurance found by an audit to be untrue shall cause immediate suspension of funds with an obligation to return any funds disbursed. Any costs incurred shall be the responsibility of the applicant. Assurances for non-governmental agencies shall include evidence of the appropriate liability insurance coverage.
3. Applicant must show capacity to achieve program and fiscal objectives. Letters of support, if required, shall be signed in the current fiscal year and be specific to the subrecipient project objectives.
4. Applicant must demonstrate the ability and willingness to comply with ALL applicable federal and state laws, regulations, and policies.

Conditional funding shall apply only to item #3 above. Applicants with deficiencies related to items 1, 2, and 4 may not be funded.

**B1.2 Public Health Accreditation Board (PHAB) Standards**

The current Public Health Standards, [Ohio Administrative Code 3701-36](https://codes.ohio.gov/ohio-administrative-code/chapter-3701-36) (reference [Ohio Revised Code 3701.342),](https://codes.ohio.gov/ohio-revised-code/section-3701.342) became effective in 1984.

Program-specific Solicitations will identify the Public Health Accreditation Board (PHAB) standards that will be addressed by the grant activities. More information on the PHAB standards can be found at [http://www.phaboard.org](http://www.phaboard.org/).

*(Source: OGAPP Manual, Updated December 2017)*

### Reporting

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

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and auditors) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.

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

**Source of Governing Requirements**

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

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

**Part 4 OMB Program Specific Requirements**

*1. General Rule*

a. Funds allocated to a state agency for food must be expended to purchase supplemental foods for participants or to redeem FIs or CVVs issued for that purpose. When supplemental foods are provided to participants via direct distribution, the related warehouse facilities costs shall be allowable food costs. Food funds can also be used to purchase breast pumps for participants (7 CFR sections 246.14(a) and (b)). Federal program funds may not be used to pay for retroactive benefits to participants (7 CFR section 246.14(a)(2)).

b. Funds allocated for NSA must be used for the costs incurred by the state or local agency to provide participants with nutrition education, breastfeeding promotion and support, and referrals to other social and medical service providers; and to conduct participant certification, caseload management, food benefit delivery, vendor management, voter registration, and program management (42 USC 1786(h)(1)(C)(ii); 7 CFR sections 246.14(c) and (d)).

*2. Exceptions*

a. Funds allocated for food costs may be converted (be applied to NSA costs) (1) as a result of a state’s plan to exceed participation levels projected by the federal funding formula; or (2) after recovery as vendor or participant collections. Conversion due to planned participation increases is allowed only if such increases are expected to result from an approved cost containment plan (7 CFR sections 246.14(e) and 246.16(f)).

b. Funds allocated for NSA costs but not needed for such costs may be applied to food costs (7 CFR section 246.14(a)(2)).

*3. Distinguishing WIC from Non-WIC Services*

Under no circumstances may the WIC NSA grant component be charged for costs that are demonstrably outside the scope of the WIC program. WIC services may include (a) some screening (excluding laboratory tests other than the blood work [hematological test] described below, which is required for determining WIC eligibility); (b) referrals for other medical/social services, such as immunizations, prenatal (before birth) care, perinatal care (near the time of birth from the 28th week of pregnancy through 28 days following birth), and well child care and/or family planning; and (c) follow-up on participants referred for such services. However, the cost of the services performed by other health care or social service providers to which the participant has been referred shall not be charged to the WIC grant. For example, the cost to screen, refer, and follow-up on immunizations for WIC participants may be charged to the WIC grant, but the cost to administer the shot, or to purchase the vaccine or vaccine-related equipment, may not be charged to the WIC grant.

A hematological test for anemia, such as a hemoglobin, hematocrit, or free erythrocyte protoporphyrin test, is the only laboratory test required to determine a person’s eligibility for WIC (7 CFR section 246.7(e)(1)). Accordingly, the cost of hematological tests for anemia is the only laboratory cost that may be charged to a WIC grant.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### Additional Program Specific Information

**Add program specific requirements from:**

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

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

**Indirect (Facilities and Administration): Note to Applicant – please select one of the three options that apply.**

Use the indirect cost rate included in the agency's Indirect Cost Rate Agreement as negotiated with and approved by the cognizant federal funder. If the applicant chooses this option, then the agreement must be submitted in GMIS as an attachment to the application.

If the subrecipient has not executed a federally approved Indirect Cost Rate Agreement, the subrecipient may elect to charge a de minimis rate of 10% of modified total direct costs (MIDC) which may be used indefinitely.

Base the budget solely upon direct costs.

For further information, please see section B2.10 of OGAAP.

*(Source: Section II, Paragraph B of the* [*Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Solicitation for Fiscal Year 2023*](https://odh.ohio.gov/wps/wcm/connect/gov/febb5c8c-31ac-449b-add5-ee2213f004da/WA23+WIC+Administration.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_M1HGGIK0N0JO00QO9DDDDM3000-febb5c8c-31ac-449b-add5-ee2213f004da-oqoSV.q)*; Section II, Paragraph E of the* [*Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Solicitation for Fiscal Year 2024*](https://odh.ohio.gov/wps/wcm/connect/gov/182d1eb9-0e85-472f-905a-d75456d5b03c/WA24+Women+Infants+and+Children+%28WIC%29.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_M1HGGIK0N0JO00QO9DDDDM3000-182d1eb9-0e85-472f-905a-d75456d5b03c-oufzMc9)*)*

**Ohio Department of Health**

**B2.1 Allowable Costs**

Allowable costs are those costs identified by the state or federal granting authority and the expenses in budgeted categories and line items that have been approved by ODH and specified in the Solicitation. The authorized budget categories for ODH grants are Personnel, Other Direct Costs, Equipment, and Contracts. Allowable costs include all subrecipient expenditures, whether paid by grant funds, applicant funds, or program income.

The NOA, which constitutes approval of the original program budget or a subsequently approved budget revision, is used to approve line item expenditures as allowable costs.

**B2.2 Unallowable Costs**

Grant costs cannot be considered allowable by ODH unless they meet the appropriate OMB cost principles and have been approved either in the initial application budget or in a subsequent approved budget revision. Funds must be used solely for the purpose as specified in the grant announcement or the Solicitation. However, costs that were previously approved on a budget, but have been found to be unallowable through a site monitoring visit or an audit, will be disallowed. **The use of funds for prohibited purposes will result in the loss of grant funds and may require the subrecipient to return funds to ODH.**

Grant funds **may not** be used for the following:

1. Advancement of political or religious points of view
2. Fund raising and investment management costs
3. Dissemination of factually incorrect or deceitful information
4. Consulting fee for salaried program personnel to perform activities related to grant objectives
5. Advertisement – other than for recruitment or procurement or if required by the specified program’s Solicitation
6. Bad debts of any kind
7. Contributions to a contingency fund or reserve
8. Entertainment
9. Alcoholic Beverages
10. Fines and penalties
11. Legal fees incurred in defense of any civil or criminal fraud proceeding
12. Membership fees, unless related to the program and approved by ODH
13. Loan or the principle amount of mortgage payments
14. Contributions made by program personnel
15. Costs to rent equipment or space owned by the funded agency
16. Inpatient services
17. Purchase or improvement of land; the purchase, construction or permanent improvement of any building
18. Satisfying any requirement for the expenditure of non-federal funds as a condition for the receipt of federal funds
19. Lodging, travel and meals over the current state rates (See Ohio Shared Services Website for hotel rates and Meals Per Diem at: <http://www.ohiosharedservices.ohio.gov/TravelandExpense.aspx>)
20. All costs related to out-of-state travel, unless prior approved by ODH
21. Training longer than one week in duration, unless prior approved by ODH
22. Contracts, for compensation, with advisory board members
23. Goods or services for personal use regardless if reported as taxable income to employee
24. Grant-related equipment costs greater than $1,000, unless justified and approved by ODH
25. Payments to any person for influencing or attempting to influence members of Congress or the Ohio General Assembly in connection with awarding of grants or other lobbying costs
26. Gas Card/Vouchers unless specified in the Federal program guidelines and included in the Solicitation
27. Promotional items (include items with slogans, logos, agency name/address, messaging). Promotional like items must be preapproved prior to submitting in agency subgrant program budget (e.g., to water bottles, t-shirts, totes that do not include slogans, logos, agency name/address, messaging).
28. Office furniture\*
29. Additional program specific Unallowable Costs per the CFDA, Program regulations and directives or state law specifications, which may be provided in the Solicitation.

\*Subrecipients will no longer be permitted to purchase office furniture, including but not limited to desks, chairs, file cabinets, using funding received from ODH. Subrecipients are permitted to purchase office furniture using the indirect funding collected from ODH subgrant funding. The transition to deliverable-based subgrants also provides another avenue for subrecipients to purchase office furniture. If office furniture is included in your current budget, you must attach a purchase order showing the purchase date. Any office furniture purchased on or after August 1, 2016 will be disallowed. Office furniture is being added to the Unallowable List in the solicitations and the OGAPP manual. With prior written approval, the ODH WIC subgrant program is permitted to purchase replacement office furniture within the first two quarters of the grant year. The ODH Director may grant a waiver to this policy under special circumstances. The written waiver request must clearly detail the circumstance for the need to purchase replacement office furniture (i.e., fire, flood). If a subrecipient no longer receives subgrant funding used to purchase office furniture, the furniture must be returned to ODH or transferred to another subrecipient receiving those subgrant funding. Please contact your grant consultant if you have any further questions.

**B2.5 Other Direct Costs**

Other Direct Costs are allowable costs not included in the GMIS budget categories of Personnel, Equipment, or Contracts. A direct cost is a cost that can be specifically identified with a particular final cost objective. Direct costs include, but are not limited to, supplies and travel directly benefiting the project or activity. All costs must be identified in the budget category by individual line items

Direct costs to the project shall not exceed the percentage of project utilization. Usage records are required for costs that are not used exclusively by the program in order to support and document the amount charged to the program. Adequate accounting records must be maintained.

**Facility Costs** include rent and lease costs for items such as office and meeting space, used by the program but not owned by the agency, depreciation, interest on a mortgage debt and use allowance. Rent and lease costs must be supported by a copy of the current rent or lease agreement which must be signed by both the lessor and lessee and properly dated.

**Supplies** are all tangible property, other than equipment, that is purchased with grant funds. Supplies include expendable office, medical or general supply items with a unit cost of less than $1,000 that are used for the performance of the applicable award. Software costing less than $1,000 should be listed under the supply line in the Other Direct Cost category.

OBM Travel Rule 126-102 (A)(5) states “**Reimbursable travel** expenses include the following expenses, in addition to lodging, meals, and transportation, which are actually incurred as a necessary part of approved travel” and must comply with [OBM Travel Policy rates](http://www.ohiosharedservices.ohio.gov/TravelandExpense.aspx):

1. Miscellaneous transportation expenses including parking charges, road tolls and other reasonably incurred transportation expenses directly related to authorized travel provided such expenses be listed separately on a travel expense report. Receipts are required for all miscellaneous living and business expenses exceeding ten ($10) dollars.
2. Commercial transportation expenses paid by the subrecipient agent including taxi cabs, rental cars, airlines, ferries, subways, buses, trains, and other commercial transportation providers. Receipts shall be required for each individual riding in a commercial vehicle if the total trip costs over ten ($10) dollars.
3. Registration fees paid by the subrecipient agent, which includes conferences, seminars, meetings, and other professional events. Receipts are required for all registration fees paid.
4. Telephone, facsimile, internet, and other similar charges for official state business. A receipt shall be required for any single charge over ten ($10) dollars. The subrecipient shall first use any free internet services offered prior to incurring internet expenses.
5. Lodging, meals, and transportation, which are actually incurred as a necessary part of approved travel and must comply with OMB Travel Policy rates.
6. Miscellaneous living and business expenses for laundry, dry cleaning, personal telephone calls, postage and other expenses if the subrecipient is in overnight lodging for more than one week including a weekend. Receipts are required for all miscellaneous living and business expenses exceeding ten ($10) dollars.

Non-reimbursable travel expenses include, but are not limited to, the following:

1. Alcoholic beverages
2. Entertainment expenses
3. Personal expenses incurred during travel that are primarily for the benefit of the traveler and not directly related to the official purpose of the grant. Examples include, but are not limited to, the purchase of personal hygiene items, magazines or books, movie rentals and other miscellaneous items.
4. Political expenses
5. Travel insurance expenses
6. The cost of traffic fines and parking tickets
7. Travel expenses incurred by any volunteer serving without compensation but listed on the budget application

Contractual employees are not considered subrecipient agency employees under these rules. **Personnel, Other Direct Costs, Equipment, and Services for contractual employees must be included in the contractual agreement.** Contractor travel should be budgeted and reported by classification (e.g., U.S.travel, out of country, patient) under the GMIS Contract category. Priority is given to travel that mostdirectly benefits the project goals. Details describing the activity of each trip for subrecipient andcontractual employees should be provided in the budget justification.

The subrecipient should assure that unspent, unobligated funds are available for travel in the approved project budget. In the event there is insufficient funding available in the approved budget for such travel, a budget revision may be needed.

The subrecipient is obligated to minimize travel costs. The difference in costs between first-class air accommodations and economy-class air accommodations is unallowable except when economy class air accommodations are not available. To obtain further clarification please refer to the OBM Travel Policy, ODH updates, and the GMIS Bulletin Board postings, as issued.

**Travel Stipends** for non-subrecipient agency staff that are supporting the project (e.g., some programs have parents attend specific workshops and pay their travel costs) are allowable. In this case, the line item should be titled “Travel Stipends for Parents.” The subrecipient is to maintain a copy of their Travel Stipend Policy in their respective agency for later ODH review. The agency maintains expenditure records of the stipends and reports the total in one line item. The Agency records must provide the audit trail.

**Patient/Client Travel** consisting of transporting patients to the site where services are provided is allowable, if patient care is an approved activity of the grant supported program and is necessary to meet program objectives. These are transportation costs via use of an agency van (at the approved state rate), tokens, or cost of public transportation. If your program allows gas cards/vouchers, the agency must maintain a log that lists the following: card number, date given, client name, and signature of client and signature or initials of a staff member.

**Depreciation and use allowance** are means of allocating the costs of fixed assets to periods benefiting from the asset’s use. Compensation for the use of buildings, capital improvement to land and building on hand may be made through depreciation or use allowances. A subrecipient cannot claim both depreciation and use allowance.

1. The computation of depreciation or use allowance shall be based on acquisition costs of the asset involved.
2. The computation of depreciation or use allowance will exclude:
   1. The cost of the land,
   2. Any portion of the cost of buildings purchased in part or in full by or donated by the Federal Government, and
   3. Any portion of the cost of buildings contributed by or for the organization, in satisfaction of a matching requirement.
3. Depreciation methods once used shall not be changed unless approved by the Federal cognizant or awarding agency.
4. If the use allowance method is followed, the use allowance will be computed at an annual rate not to exceed two (2) percent of the acquisition costs.
5. Charges for use allowance or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years to ensure the asset exists and is in use.
6. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained

See Appendix 11 for depreciation log with instructions.

Example: A local not-for-profit agency purchases a building for $1,000,000 by obtaining a $500,000 U.S.D.A. loan and $500,000 from a local bank. The maximum acquisition cost the not-for-profit agency can depreciate is $500,000. Using the IRS guidelines for commercial buildings, a useful life of 39 years is considered reasonable. If the organization’s written capitalization policy uses the straight-line method of depreciation, the following is the mathematical calculation for annual depreciation: $500,000/39 years = $12,820 annual depreciation. The organization could therefore charge each of their programs a fair-share percentage of the annual depreciation up to $12,820.

**Note: Please refer to the Other Direct Costs definitions posted on the GMIS bulletin board. The definitions are updated as new line items are added.**

*(Source: OGAAP Manual, Updated December 2017)*

### Audit Objectives and Control Testing

**Audit Objectives**

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

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

**Control Documentation and Testing**

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| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):*  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):*  **Person(s) responsible for performing the control procedure** *(Title):*  **Description of evidence documenting the control was applied** *(i.e. sampling unit):* |

### Suggested Substantive Audit Procedures – Compliance

|  |
| --- |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.  *Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*  2. When allowability is determined based upon summary level data, perform procedures to verify that:  a. Activities were allowable.  b. Individual transactions were properly classified and accumulated into the activity total.  \*3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.  4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities. |

### Audit Implications Summary

|  |
| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## B. ALLOWABLE COSTS/COST PRINCIPLES

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

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

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

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

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

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

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

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

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

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

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

As provided in 2 CFR 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR 200.101(e) (see Appendix I of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR Part 200, Subpart E, but are subject to the requirements [45 CFR Part 75, Appendix IX](45_CFR_Part_75.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR Part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 2 CFR Part 200, Subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR Part 200, Appendices III-VII as follows:

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

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

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

**Basic Guidelines**

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

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.

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

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

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

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

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

7. Be adequately documented.

**Selected Items of Cost**

2 CFR 200.420 - 200.476 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 2 CFR 200.402 - 200.411.

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

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

**Part 4 OMB Program Specific Requirements**

*1. Applicable Credits*

The following items are credits against current vendor billings or prior expenditures:

a. *Rebates* – Rebates are credits for food costs that are reported in the month in which the rebate was received (7 CFR section 246.14(f)).

b. *Vendor Collections* – Post-payment vendor collections are funds collected through claims assessed against food vendors for errors and overcharges. Pre-payment vendor collections are improper payments prevented as a result of reviews of FIs or CVVs prior to payment; they are credits against vendor billings.

c. *Participant Collections* – These are recoveries of improperly issued food benefits as the result of a participant, guardian, or caretaker intentionally making a false or misleading statement or withholding information.

d. *Local Agency Collections* – These are funds collected as a result of claims assessed against local agencies for program funds that were misused or otherwise diverted from program purposes due to local agency negligence or fraud.

A state agency must recognize, use, and account for these items in accordance with WIC program regulations. At its discretion, the state agency may credit vendor, participant, and local agency collections against expenditures for food and/or NSA costs. The state agency may apply vendor, participant, and local agency collections to food and/or NSA expenditures of: (1) the fiscal year in which the initial obligation was made; (2) the fiscal year in which the claim arose; (3) the fiscal year in which the collection is received; or (4) the fiscal year following the fiscal year in which the collection is received (42 USC 1786(f)(21); 7 CFR section 246.14(e)).

*2. Capital Expenditures*

a. FNS has authorized WIC state and local agencies to charge the full acquisition cost of non-computer equipment costing less than $25,000 per unit without obtaining prior FNS approval, and to allow local agencies under their oversight to do likewise. FNS regional offices retain the discretion to apply a lower dollar threshold to an individual state agency and to the local agencies under its oversight, provided certain requirements apply and the state agency receives written notice.

b. Automated Data Processing (ADP) projects. FNS requires WIC state agencies to obtain prior approval to incur costs for certain ADP projects and to provide notification and/or documentation for others (7 CFR section 246.14(d)). Approval procedures are in FNS Handbook 901, Advance Planning Document Handbook (available at <https://www.fns.usda.gov/apd/handbook-and-guidance>).

Approval levels are as follows:

(1) A state agency must notify the applicable FNS regional office within 60 days of the initial expenditure or contract award for an ADP project costing in excess of $4,999 but less than $100,000; and

(2) A state agency must receive prior approval for (a) an ADP project that has a cost greater than $99,999; or (b) any ADP project associated with planning, developing, or deploying a new automation system.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

***Written Procedure Requirements:***

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

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

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

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

*2 CFR 200.475 requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.*

### Additional Program Specific Information

**Add program specific requirements from:**

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

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

1. Subrecipients’ indirect costs proposal must comply with the Federal Funder’s terms as delineated in the Federal Funding Announcement. A Federal grantor may limit, allow or disallow indirect costs. The ODH subrecipient’s budget must reflect the limitations defined in the Federal Funding Announcement.
2. Uniform Administrative Requirements, Cost Principles, and Audit for Federal Awards Rule (Title 2 Code of Federal Regulations) allow subrecipients to include indirect costs in subgrant applications. Subrecipients may choose one of the following options with regard to indirect costs:
   1. Negotiate and execute an Indirect Cost Rate Agreement with the Federal Funder and base the subrecipient application budget on said agreement. In this instance, the agreement must be submitted in GMIS as an attachment to the application;
   2. If the subrecipient has not executed a federally approved Indirect Cost Rate Agreement, the subrecipient may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.
      1. Sub-part A § 200.68 of the Federal Uniform Administrative Requirements defines Modified Total Direct Cost as “….all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and sub-awards and subcontracts up to the first $25,000 of each sub-award or subcontract (regardless of the period of performance of the sub-awards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each sub-award and subcontract in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.”; or,
      2. Base the budget solely upon direct costs.
3. If a subrecipient gains a federally approved indirect cost agreement during a subgrant budget period, it may submit a budget revision during the first two quarters of the budget period.
4. The NOA amount includes any indirect costs budgeted. Including indirect costs in your subgrant application budget does not result in an increase in the Notice of Award amount.

*(Source: Shannon Coleman and David McKinnon, Ohio Department of Health on 10/25/2023 & GMIS Bulletin dated 5-11-2015)*

**Ohio Department of Health**

**B2.0 Cost Principles**

Cost principles dictate that subrecipients employ sound management practices when administering ODH grants. Subrecipients must conduct project-related activities in a manner consistent with underlying agreements, project objectives, and the terms and conditions of the grant.

The Office of Management and Budget New Uniform Guidance at [http://www.ecfr.gov](http://www.ecfr.gov/) are federal documents that establish standards for determining costs applicable to federal grants. These principles apply as a matter of policy to the expenditures of all grant funds at ODH. To be allowable under a project program, costs must meet the general criteria established within the OMB Uniform Guidance and Costs Circulars.

Budgeted estimates or other distribution percentages determined prior to the performance of services or the delivery of goods do not qualify as proper support for charges to Federal awards. Only documented actual charges should be charged to the award for goods and services.

**B2.1 Allowable Costs**

Allowable costs are those costs identified by the state or federal granting authority and the expenses in budgeted categories and line items that have been approved by ODH and specified in the Solicitation. The authorized budget categories for ODH grants are Personnel, Other Direct Costs, Equipment, and Contracts. Allowable costs include all subrecipient expenditures, whether paid by grant funds, applicant funds, or program income.

The NOA, which constitutes approval of the original program budget or a subsequently approved budget revision, is used to approve line item expenditures as allowable costs.

To be allowable under ODH, subrecipient project costs must be budgeted and must meet the following general criteria:

1. Be necessary and reasonable for proper and efficient performance and administration of the program; be allocable to the program under the proper cost principle, and not be a general expense required to carry out overall agency responsibilities;
2. Be authorized or not prohibited under State or local laws or regulations;
3. Conform to OGAPP guidelines and any limitations or exclusions set forth in Federal or State laws, terms and conditions of the award, or other governing regulation/limitations on types or amount of cost items;
4. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal or State awards and other activities of the subrecipient agency;
5. Be accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances;
6. Be supported by adequate documentation;
7. Not be allocable to or included as a cost or used to meet cost sharing or matching requirements of any other state or federally funded program in either the current or a prior period; and
8. Are net of applicable credits (refers to those receipts or reductions of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct costs). This may include vendor rebates, discounts, or refunds granted to project expenditures.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration shall be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the agency or the performance of the Award;
2. The restraints or requirements imposed by such factors as sound business practices; arm’s length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the award;
3. Market price for comparable goods or services;
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the agency, its employees, the public, and the Federal or State Government; and
5. Significant deviations from the established practices of the agency, which may unjustifiably increase the cost of the program.

**Note: If a line item is deemed noncompliant with rules and regulations, that cost will be disallowed.**

Items normally considered allowable costs include but are not limited to costs pertaining to accounting, advertising for recruitment of personnel, soliciting procurement bids, books, periodicals, communications, contracts for goods and services, equipment, employee salaries and fringe benefits, employee travel and per diem, exhibits, educational or training materials, maintenance, medical and office supplies, and printing of items that benefit the project. Please refer to the Other Direct Costs definitions to determine where items should be budgeted.

**Note**: Refer to your Solicitation to determine whether Client Incentives and Enablers are allowed.

**Even if a federal program or cost principle allows an expense, ODH reserves the right to be more restrictive and disallow the cost for simplicity or to reduce the burden of monitoring certain expenses.**

**B2.4 Personnel Costs**

Project funds may be used to compensate employees for the time and effort devoted specifically to the execution of a grant program. Employees are individuals that are entered into the subrecipient employment system, receive fringe benefits (i.e., unemployment and worker’s compensation), are eligible to participate in the subrecipient’s retirement program and are subject to subrecipient personnel policies. Individuals who do not meet these criteria are not considered employees but are considered contractual personnel.

Compensation of employees includes all remuneration, paid currently or accrued, for services rendered during the period of performance under the grant agreement. Remuneration includes but is not limited to wages, salaries, fringe benefits, overtime and bonus payments if the compensation is reasonable for the services being rendered. See UG Subpart E. Section 200.403, Factors affecting allowability of costs.

1. Overtime and bonuses are chargeable to federal grant awards as long the following criteria affecting allowability are satisfied:
2. Be necessary and reasonable for the performance of the Federal award
3. Conform to any limitations or exclusions set forth in these principles or federal grant agreement as to types or amount of cost items.

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

(d) Be accorded consistent treatment. Costs assigned to a Federal award as direct costs should not again be allocated and charged to the grant as an administrative (indirect cost) for the same purpose or work in which the costs were already incurred and reimbursed.

1. Even though the costs of overtime/bonuses are chargeable to federal grants, they are only allowable to the extent that the costs comply with the following guidelines:

* Comply with existing limitations based on the agency’s personnel policies, grant agreements, union contracts, etc.
* The total time compensated/reported does not exceed percentage of time actually devoted to the funded project unless properly authorized.
* Overtime and bonuses must be allocated and charged to the grant based on the employee’s approved budget percentage(s).
* Overtime salaries and wages for general clerical assistance and admin staff are normally not allowable because these costs should be included in indirect costs.
* Should be disclosed in grant application or approved in writing by the pass through or Federal sponsor.
* Overtime pay and bonus policies should include a methodology for determination of bonuses including amount, period basis, calculation of premium rate vs regular rate, etc.
* Overtime is properly authorized and the time is sufficiently documented clearly indicating the work that is being performed and why overtime is necessary.
* Overtime payments and bonuses require the use of a special account code to identify and track overtime pay and bonuses.
* Bonuses are limited to 3% of an employee’s gross wages (not including fringes) or $1,500, whichever is less. The Ohio Department of Health program administrator must approve all bonuses and enter a comment in GMIS in the project comments section.

Compensation must follow the Ohio Department of Administrative Services regulations and meet federal merit system or other requirements, where applicable. **Federal guidelines require subrecipients to** **maintain Time and Activity or Time and Effort reporting to verify time worked for all employees** **who are charged less than 100% to a specific funding source. See Appendix 5 for a sample of an** **appropriate time and effort report. Staff charged at 100% must complete bi-annual** **certifications. The certifications must include a statement certifying the employee worked 100% on** **a specific funding source, be signed by the employee and employee’s supervisor.**

Compensation will be considered reasonable as long as it is consistent with compensation paid for similar work in other activities of the subrecipient agency. Compensation surveys that provide data on compensation for similar jobs can be used to demonstrate reasonableness.

Compensation of employees includes employee fringe benefits. Fringe benefits includes compensation paid to employees for authorized absences from the job, such as annual leave, sick leave, court leave, and military leave, if they are provided in accordance with an approved leave system. The cost of fringe benefits must be equitably allocated to all related employee activities including program activities and the accounting basis for costing each type of leave (i.e., cash or accrual) must be consistently followed by the agency.

Employee fringe benefits may also be in the form of employer’s contribution for items such as social security, employee life insurance and health insurance plans, unemployment insurance coverage, workers compensation insurance, pension plans, and severance pay provided such benefits are granted under approved plans and are distributed equitably to program and non-program activities. Actual claims paid to or on behalf of employees for workers’ compensation, unemployment compensation, severance pay, and similar employee benefits are allowable in the year of payment.

According to 45 CFR 92.23 and 2 CFR 215.22, grant funds must be expended in the grant period for which they are intended. Therefore, current funds cannot be used for past years’ expenses. It is the agency’s responsibility to budget for leave and other benefits earned during the grant period. During the grant period earned, if all leave and other benefits are not used, then the dollar value of the leave balance and other benefits earned during that grant period are allowable costs and should be maintained in an account designated by the agency. In accordance with the agency’s policies and procedures, this account would be used to cover the costs for accrued leave and other benefits earned during previous grant periods when a long-time staff person retires or leaves the agency.

Invoices for Workers Compensation Insurance are generally issued twice in each calendar year. Subrecipients should only report obligations for Workers’ Compensation Insurance in the period in which an invoice is received. Payments for Workers Compensation Insurance are to be reported in the project period in which the invoice is paid.

ODH reserves the right to disapprove the use of program funds for any specific employee fringe benefit item included in the budget request if, in ODH’s opinion, the item is inconsistent with allowable cost requirements.

Charges to awards for personnel will be based on documented payrolls approved by designated official(s) of the organization. Detailed time and effort reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged directly to a project in order to support the allocation of costs. Such documentary support will be required where employees work on:

1. More than one federal award
2. A federal award and a non-federal award

3. An indirect cost activity and a direct cost activity

Reports maintained by any approved agency must meet the following standards:

1. The reports must reflect an after-the-fact determination of the actual activity of each employee.
2. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
3. The reports must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee, to verify that the distribution of activity noted on the report represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
4. The reports must be prepared at least monthly and must coincide with one or more pay periods.

**B2.11 - Indirect Costs**

Indirect costs apply to costs originating in the subrecipient agency for providing goods, equipment, and services necessary to support the project.

1. Subrecipients’ indirect costs proposal must comply with the Federal Funder’s terms as delineated in the Funding Announcement. A Federal grantor may limit, allow or disallow indirect costs. The ODH subrecipient’s budget must reflect the limitations defined in the Funding Announcement.
2. Uniform Grants Guidance (Title 2 Code of Federal Regulation) allows subrecipients to include indirect costs in subgrant applications. Subrecipients may choose one of the following options with regard to indirect costs:
   1. Negotiate and execute an Indirect Cost Rate Agreement with the Federal Funder and base the subrecipient application budget on said agreement. In this instance the agreement must be submitted in GMIS as an attachment to the application;
   2. If the subrecipient has not executed a federally approved Indirect Cost Rate Agreement, the subrecipient may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.
      1. Sub-part A § 200.68 of the Federal Uniform Administrative Requirements defines Modified Total Direct Cost as “….all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and sub-awards and subcontracts up to the first $25,000 of each sub-award or subcontract (regardless of the period of performance of the sub-awards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each sub-award and subcontract in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.,” or*,*
      2. Base the budget solely upon direct costs.
3. If a subrecipient gains a federally approved indirect cost agreement during a subgrant budget period it may submit a budget revision during the first two quarters of the budget period.
4. **The NOA amount includes any indirect costs budgeted. Including indirect costs in your subgrant application budget does not result in an increase in the Notice of Award amount.**
5. Modified Total Direct Costs (MTDC – 10% rate) Personnel Allowance:

Administrative staff are not permitted to be direct billed to an ODH grant when using the MTDC indirect rate. Administrative staff are staff who benefit the entire agency. Administrative staff includes but is not limited to:

* 1. Health Commissioner
  2. Director
  3. Assistant Director/Assistant Health Commissioner
  4. Finance Staff (unless charged 100% to a subgrant program)
  5. Legal Staff
  6. Clerical Staff (unless charged 100% to a subgrant program)

Direct/program staff are permitted to be direct billed to an ODH grant. The 10% indirect rate can be applied to these staff’s salaries/wages and applicable fringe benefit. Agencies must include the following certification language on the budget justification. (Name of Agency) certifies that this position can be directly attributed to this grant and therefore charging indirect against this position is allowable.

If direct/program staff cannot be directly attributed to an ODH grant then they should not be direct billed to the grant.

ODH Subrecipients’ that have not negotiated indirect cost rates with the Federal government and receive less than $35 million in direct Federal funding per year may use the 10% de minimis indirect cost rate, and must keep the documentation of this decision on file. Thus, a governmental unit below the $35 million threshold that has truly never had a federally-negotiated rate, whether actual or *de facto*, may opt to use the *de minimis* methodology.

1. Indirect costs cannot be charged against a deliverable line item.

**C2.4 Cost Allocation Plan**

A cost is allocable to a subgrant project based on the benefits received by the project. Some costs may be shared by a subgrant project and non-project activities of the agency. When an allocation of joint costs will ultimately result in charges to grant supported projects, an allocation plan is required. This section provides policies for the allocation of joint costs to grant supported projects.

Joint costs charged to any grant projects must be in accordance with an approved cost allocation plan. The cost allocation plan must interface with the agency’s accounting system and be supported by the agency’s formal accounting records in order to substantiate the propriety of the charges. The agency cost allocation plan must meet the following requirements:

1. The plan should cover all joint costs of the subrecipient agency that are included in the grant-supported project. At a minimum, the plan should contain the nature and extent of services provided and their relevance to the grant supported project; the item of expense included; and the methods to be used in distributing costs.
2. The allocation plan should base the cost distribution on the type of goods or services provided in order to assure that the grant is not charged more than its fair share of the joint costs. Any method can be used that will produce an equitable distribution of cost. In selecting one method over another, consideration should be given to the additional effort required to achieve a greater degree of accuracy.
3. The following are methods for distributing frequently used for joint costs:
   1. Accounting services: Total dollar volume or number of transactions processed
   2. Auditing: Direct audit hours
   3. Data processing: Machine hours
   4. Disbursing service: Number of checks or warrants issued
   5. Equipment purchase, leasing or depreciation: Percent of machine usage
   6. Legal services: Direct hours
   7. Mail or messenger service: Number of documents handled or employees served
   8. Motor pool costs: Percentage of vehicle mileage
   9. Office space rental and related costs (including utilities): Square feet of space occupied or number of grant-supported project employees
   10. Organization and management services: Direct hours
   11. Payroll services: Number of grant-supported project employees
   12. Program personnel: Direct hours
   13. Personnel administration: Number of employees
   14. Printing and reproduction: Direct hours, job basis, pages printed, etc.
   15. Local telephone: Direct billing or number of instruments
4. Any cost allocable to one subgrant project under these guidelines may not be shifted to other federal or state subgrant projects to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for any other reason.

ODH will not accept project costs that are determined using a base rate or percentage. Cost allocation plans demonstrating the equation used must be maintained for review during ODH on-site reviews. Furthermore, the cost allocation plan used to determine shared costs must be submitted with the application in the application budget.

*(Source: OGAAP Manual, Updated December 2017)*

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

### OMB Compliance Requirements

**Direct Costs**

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

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

**Indirect Costs**

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

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

*Submission Requirements*

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

*Documentation and Certification Requirements*

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

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 2 CFR 200.1\_Cognizant\_Agency.

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

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

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

#### Audit Objectives and Control Tests: Allowable Costs –– Direct and Indirect Costs

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

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

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

**Audit Objectives**

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

**Audit Objectives: Direct Costs**

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

**Audit Objectives: Indirect Costs**

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

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

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

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

* *UG requires written policies for the requirements outlined in 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
  + *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
  + *2 CFR 200.430 for allowability of compensation costs.*
  + *2 CFR 200.431 for written leave policies.*
  + *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
  + *2 CFR 200.475 for travel reimbursements.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
  + *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
  + *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.* 
    - *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

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

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  ***Direct Costs***  \*Test a sample of transactions for conformance with the following criteria contained in 2 CFR Part 200, as applicable:   1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable. 2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 2 CFR 200.407 for selected items of cost that require prior written approval). 3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).   d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 2 CFR Part 200, Subpart E.  e. Costs conformed to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E, or in the Federal award as to types or amount of cost items.  *While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.*  *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*  f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.  g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.  h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.  i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.  j. Costs were adequately documented.  ***Indirect Costs***  a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.  b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.  (1) Test a sample of transactions for conformance with:  (a) The criteria contained in the “Basic Considerations” section of 2 CFR 200.402 - 200.411.  (b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).  *While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.*  *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*  (2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.  c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](Testing_the_ICRP_discussion.pdf)*)*  (1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.  (2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR Part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.  The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 2 CFR Part 200, Subpart E:  (a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR Part 200.  (i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).  (ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.  (iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.  (b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR Part 200 and produce an equitable distribution of costs.  (i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.  (ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.  (iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).  (c) *Other Procedures*  (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 2 CFR 200.430 for additional information on support of salaries and wages.)  (ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.  (3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:  (a) Obtain and read the current ICRA and determine the terms in effect.  (b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).  (4) *Other Procedures* – No Negotiated ICRA  (a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. When the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.  (b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*  ***This box should include results of applicable additional testing sections as determined at the beginning of Section B.***   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## C. CASH MANAGEMENT

### OMB Compliance Requirements

***Grants and Cooperative Agreements***

***All Non-Federal Entities***

Non-Federal entities must establish written procedures to implement the requirements of 2 CFR 200.305 (2 CFR 200.302(b)(6)).

***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 200.305(b)).

What constitutes minimized elapsed time for funds transfer will depend on what payment system/method a non-federal entity uses. For example:

* The US Department of Health and Human Service (HHS) processes its financial transactions with non-federal entities through HHS’s Program Support Center (PCS), which uses the Payment Management System (PMS). Usually, payments from PMS process overnight and the funds would be available in a non-federal entity’s account the next business day. HHS also processes payments through same day wires (mostly state governments).
* Federal agencies, such as the US Department of Commerce, and US Department of the Interior, use the US Treasury’s Automated Standard Application for Payments (ASAP) system for grant and cooperative agreement payments. Non-federal entities can use the ASAP on-line process to request and receive same-day payment.

Under the advance payment method, federal awarding agency or pass-through entity payment is made to the non-federal entity before the non-federal entity disburses the funds for program purposes (2 CFR section 200.1). A non-federal entity must be paid in advance provided that it maintains, or demonstrates the willingness to maintain, both written procedures that minimize the time elapsing between the transfer of funds from the US Treasury and disbursement by the non-federal entity, as well as a financial management system that meets the specified standards for fund control and accountability (2 CFR section 200.305(b)(1)).

The reimbursement payment method is the preferred payment method if (a) the non-federal entity cannot the meet the requirements in 2 CFR section 200.305(b)(1) for advance payment, (b) the federal awarding agency sets a specific condition for use of the reimbursement or (c) if requested by the non-federal entity (2 CFR sections 200.305(b)(3) and 200.207). The reimbursement payment method also may be used on a federal award for construction or for other construction activity as specified in 2 CFR section 200.305(b)(3).

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 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**

For cost-reimbursement contracts under the FAR, reimbursement payment is the predominant method of funding. Advance payments under FAR-based contracts are rare. The FAR clause at 48 CFR section 52.216-7 applies to reimbursement payment. Paragraph (b)(1) of that clause requires that the non-federal entity request reimbursement for (a) only allocable, allowable, and reasonable contract costs that have already been paid, or (b) if the non-federal entity is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid. As defined in 48 CFR section 52.216-7(b)(1), with relation to supplies and services purchased for use on the contract, “ordinary course of business” would be in accordance with the terms and conditions of a subcontract or invoice, and ordinarily within 30 days of the request to the federal government for reimbursement.

For cost-reimbursement contracts using advance payment, the requirements are contained in the FAR clause at 48 CFR section 52.232-12. The non-federal entity is required to account for interest earned on advances from the federal government in accordance with paragraph (f) of that clause.

***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 200.305(b)(1)).

**Source of Governing Requirements**

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, [31 CFR Part 205](31_CFR_Part_205.pdf), [48 CFR 52.216-7(b)](48_CFR_52.216-7.pdf) and [52.232-12](48_CFR_52.232-12.pdf), program legislation, federal awarding agency regulations, and the terms and conditions of the federal award.

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

**Availability of Other Information**

Treasury’s Fiscal Service maintains a Cash Management Improvement Act web page [Cash Management Improvement Act (treasury.gov)](https://fiscal.treasury.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 [Payment Management | HHS.gov](https://www.hhs.gov/about/agencies/asa/psc/accounting/payment-management/index.html) and [Automated Standard Application for Payments (ASAP) (treasury.gov)](https://www.fiscal.treasury.gov/ASAP/), respectively.

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

**Part 4 OMB Program Specific Requirements**

The WIC program is subject to the provisions of the Cash Management Improvement Act (CMIA). However, rebates held in state accounts are exempt from the interest provisions of the CMIA (42 USC 1786(h)(8)(J); 7 CFR section 246.15(a)).

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### Additional Program Specific Information

**Add program specific requirements from:**

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

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

**Ohio Department of Health**

**C2.3 Cash Management**

Grant funds and project income must be accounted for and as such, must be managed in accordance with subrecipient procedures used in managing non-project funds. Grant funds must be used only for allowable costs. Any unspent balance must be returned to ODH within forty-five (45) calendar days of the invoice date. It is the responsibility of the project director to maintain communication with the agency director and the chief fiscal officer to ensure that these conditions are met.

Grant funds received as checks and/or project income must be deposited promptly, **no later than three (3) calendar days after the date of receipt.**

**C2.6 Co-Mingling of Funds**

**Physical segregation of cash deposits or the establishment of any eligibility requirements for funds, which are provided, to a subrecipient is not required.** However, the accounting systems of allsubrecipients must ensure that project funds are not co-mingling with other federal or state funds. Eachgrant must be accounted for separately. Subrecipients **are prohibited** from co-mingling funds on either aproject-by-project basis or a program-by-program basis.

Funds specifically budgeted and/or received for one project may not be used to support another. If a subrecipient’s accounting system cannot comply with this requirement, the subrecipient shall establish a system to account adequately for each project separately.

**D1.5 Interest Income**

Income earned by the subrecipient on the subrecipient’s own financial resources may be used to support the program as program funds. Interest earned on federal funds must be treated according to the federal regulations governing the program funding source (e.g., 7 CFR 3016 for non-entitlement USDA funded programs, 7 CFR 3015 for USDA entitlement programs, or OMB Circulars A-102 or A-110).

*Nongovernmental recipients* – For all federal grant awards and sub-rewards, any interest earned by nongovernmental recipients on advances of federal funds that exceeds $250 per year in the aggregate must be remitted annually through the Payment Management System PMS, the government-wide agent for collection. (The year is based on the recipient’s or subrecipient’s fiscal year.) Recipients with electronic funds transfer (EFT) capability should remit interest electronically.

*Governmental recipients other than States* - Except as provided in Uniform Guidance, for all federal grant awards and sub-awards, any interest earned by local governments or Indian tribal governments on advances of federal funds that exceeds $500 per year in the aggregate must be remitted at least quarterly. (The year is based on the recipient’s or subrecipient’s fiscal year.)

**D2.0 Grant Payments**

Grant payments will be made in a timely manner to support project operations and to minimize the cash flow problems of subrecipient agencies.

The financial support for the subrecipient in meeting the grant’s goals objectives include grant payments from ODH , matching funds or cost sharing, in-kind contributions, project income, and donations. In some cases, financial support may also include rebates. This section provides policies and procedures for ODH grant payments.

The grant payment will be released when all of the following conditions are met:

1. Federal Notice of Grant Award and grant funds are received for federally funded projects.
2. Appropriation authority is received from the state legislature for state funded programs.
3. The project budget has been approved.
4. Funds have been encumbered.
5. The Subrecipient Award Approval Notice (SAAN) is approved.
6. NOA is issued by the ODH Director.
7. Expense Report is submitted.

Actual grant payments are based on the approved budget in the project application or its subsequent revision; state or federal grant conditions; and adjustments made based on the most recent expenditure report, grant reduction, or audit findings. Subrecipients are permitted to add staff to the personnel category, without an approved budget, as long as the additional has been approved by ODH program staff. ODH program staff is required to enter an approval comment in GMIS.

**D2.1 Payment Process**

All payments of funds by ODH to the subrecipient are in accordance with the conditions of the grant.

Payments are based on actual expenditures and a cost reimbursement basis. Payments are adjusted according to the proportion of required matching funds contributed and the grant cash balances.

All payments are made through electronic funds transfer (EFT) via Ohio Administrative Knowledge System (OAKS)**.**

Payments for deliverables are based on the deliverable payment schedule, the subrecipient’s completion of each deliverable and ODH’s validation of the completion. Costs will be disallowed if a payment is requested for an unmet deliverable. The automatic payment for subrecipients who request costs more than 2 times for unmet deliverables will be removed.

Note: For County Based Agencies: The County Auditor can give the subrecipient the access information for the OAKS system.

The project director receives a transmittal notice in the mail as verification of the payment. After the payment is issued, specific information detailing the amount, the period covered and the date paid will display in the GMIS “Payments” link. Subsequent payment information will display in the “Payments” link as future payments are made.

Payment cycle is monthly or quarterly in conjunction with the reporting period unless stated otherwise in the Solicitation.

**D2.2 Payment Schedule**

**Reimbursement Schedule**

Subrecipients can select either monthly or quarterly reimbursement from ODH.

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| --- | --- |
| **Period** | **Report Due Date** |
| January 1 – 31 | February 10 |
| February 1 - 28 or 29 | March 10 |
| March 1 – 31 | April 10 |
| April 1 – 30 | May 10 |
| May 1 – 31 | June 10 |
| June 1 – 30 | July 10 |
| July 1 - 31 | August 10 |
| August 1 – 31 | September 10 |
| September 1 – 30 | October 10 |
| October 1 – 31 | November 10 |
| November 1 – 30 | December 10 |
| December 1 - 31 | January 10 |

**Monthly**

**Quarterly**

|  |  |
| --- | --- |
| **Period** | **Report Due Date** |
| January 1 – March 31 | April 10 |
| April 1 – June 30 | July 10 |
| July 1 – September 30 | October 10 |
| October 1 – December 31 | January 10 |

*(Source: OGAAP Manual, Updated December 2017)*

### Audit Objectives and Control Testing

**Audit Objectives**

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

2. For grants and cooperative agreements to non-Federal entities other than States, determine whether payment methods minimized the time elapsing between transfer of Federal funds from the U. S. Treasury or the pass-through entity and the disbursement by the non-Federal entity and any interest earned on advances was properly remitted.

3. For grants and cooperative agreements to non-Federal entities that are paid on a reimbursement basis, supporting documentation shows that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

4. Determine whether non-Federal entities that receive reimbursement payments under cost-reimbursement contracts under the FAR and cost-reimbursement subcontracts under these contracts requested payments in compliance with [48 CFR section 52.216-7(b)](48_CFR_52.216-7.pdf).

5. Determine whether non-Federal entities complied with applicable program requirements for loans, loan guarantees, interest subsidies, and insurance.

6. Determine whether pass-through entities implemented procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from the pass-through entity to the subrecipient and the disbursement of such funds for program purposes by the subrecipient, as required by applicable cash management requirements in the Federal award to the recipient.

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

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

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

* *UG requires a written policy for the requirements outlined in 2 CFR 200.302(b)(6) 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.*
* *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.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  *Steps 1-4 are omitted as they are applicable to only States.*  OMB 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.  *Grants and cooperative agreements to non-Federal entities other than States*  5. 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.  6. When non-federal entities are funded using advance payments, select a sample of cash drawdowns 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.  7. When non-Federal entities are funded under the reimbursement method, (a) select a sample of expenditures included in the cash drawdowns made during the period from the U.S. Treasury or pass-through entity and (b) trace to supporting documentation and ascertain if the expenditures were incurred prior to the date of the reimbursement request (2 CFR 200.305(b)(3)).  8. 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 200.305(b)(5)).  9. 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 200.305(b)(9)).  *Cost-reimbursement contracts under the Federal Acquisition Regulation*   1. 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)](48%20CFR%2052.216-7.pdf)).   *The Federal Acquisition Regulations (FAR) defines cost-reimbursement contracts in 48 CFR Subpart 16.3. Cost-reimbursement contracts are contracts which establish an estimate of total costs (or a ‘ceiling’) which a contractor may not exceed (except at its own risk) without the approval of a contracting officer. Cost-reimbursement contracts are only allowable when the circumstances described in 48 CFR 16.301-3 have been met.*  *Loans, Loan Guarantees, Interest Subsidies, and Insurance*  11. Perform tests to ascertain if the non-Federal entity complied with applicable program requirements.  *All Pass-Through Entities*  12. 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 200.305(b)(1)). |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**   ***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.* |

## E. ELIGIBILITY

### OMB Compliance Requirements

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

**Source of Governing Requirements**

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

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

**Part 4 OMB Program Specific Requirements**

**1. Eligibility for Individuals**

Applicants for WIC program benefits are screened at WIC clinic sites to determine their WIC eligibility. To be certified eligible, they must meet the following eligibility criteria (7 CFR sections 246.7(c), (d), (e), (g), and (l)):

a. *Categorical* – Eligibility is restricted to pregnant, postpartum, and breastfeeding women, infants, and children up to their fifth birthday (7 CFR sections 246.2 (definition of each category) and 246.7(c)).

b. *Identity and Residency* – Except in limited circumstances, WIC applicants must be physically present for eligibility screenings and provide proof of identity and residency. An applicant also must meet the state agency’s residency requirement. Except in the case of ITOs, the applicant must reside in the jurisdiction of the state. ITOs may require applicants to reside within their jurisdiction. All state agencies may designate service areas for any local agency and may require that applicants reside within the service area. A state agency must establish procedures, in accordance with guidance from FNS, to prevent the same individual from receiving duplicate benefits through participation at more than one local agency. Documentation of these determinations may consist of descriptions of documents evidencing the applicants’ identities and residency (e.g., notations in the participant’s file identifying specific documents that local agency staff have viewed and found acceptable), copies of the documents themselves, and/or the applicants’ written statements of identity and residency when no other documentation exists. Certification procedures prescribed by the state agency set conditions for relying on these different forms of documentation (42 USC 1786(f)(23); 7 CFR sections 246.7(c)(1) and (c)(2)(i) and 246.7(i)(3) and (4)).

c. *Income* – An applicant must meet an income standard established by the state agency or be determined to be automatically (adjunctively) income- eligible based on documentation of his/her eligibility, or certain family members’ eligibility, for the following federal programs: (1) Temporary Assistance for Needy Families; (2) Medicaid; or (3) Supplemental Nutrition Assistance Program (formerly the Food Stamp Program). State agencies also may determine an individual automatically income-eligible based on documentation of his/her eligibility for certain state- administered programs. Documentation of income eligibility determinations may consist of descriptions of documents evidencing the sources and gross amounts of all income, such as wages, disability or Social Security/SSI payments, child support, alimony, etc., received by applicants and/or any members of their households (e.g., notations in the participant’s file identifying specific documents that local agency staff have viewed and found acceptable), copies of the documents themselves, and/or the applicant’s signed affidavit that his/her household income does not exceed the current WIC income eligibility guidelines when no other documentation exists. With limited exceptions, applicants who are not adjunctively or automatically income-eligible for WIC must provide documentation of family income at their initial or subsequent certification (42 USC 1786(d)(3)(D); 7 CFR sections 246.2 (definition of “family”), 246.7(c), and 246.7(d)).

*Income Guidelines* – The income standard established by the state agency may be up to 185 percent of the poverty income guidelines issued annually by HHS or state or local income guidelines used for free and reduced- price health care. However, in using health care guidelines, the income guidelines for WIC must be between 100 and 185 percent of the poverty income guidelines. These WIC income guidelines are issued each year in the Federal Register and are available on FNS’s WIC website at <http://www.fns.usda.gov/wic>. Local agency income guidelines may vary as long as they are based on the guidelines used for free and reduced-price health care (7 CFR section 246.7(d)(1)). Income determinations based on state or local health care guidelines are subject to the definition of “family” in 7 CFR section 246.2, the definition of “income” in 7 CFR section 246.7(d)(2)(ii), and the exclusions from income in 7 CFR section 246.7(d)(2)(iv) (7 CFR sections 246.2 and 246.7(d)(2)).

*Income Eligibility Determination* – Except for applicants determined to be automatically income-eligible, income is based on gross income and other cash readily available to the family or economic unit. Certain federal payments and benefits, listed at 7 CFR section 246.7(d)(2)(iv), are excluded from the computation of income. The following payments to members of the Armed Forces and their families also are excluded: Family Subsistence Supplemental Allowance (7 CFR section 246.7(d)(2)(iv)(D)(33)); combat pay included under Chapter V of Title 37 (42 USC 1758(b)), as amended by Section 734(b) of Pub. L. No. 111-80.

Payments to Filipino veterans under the Filipino Veterans Equity Compensation Fund (section 1002 of American Recovery and Reinvestment Act (ARRA), 123 Stat. 200) are also excluded. In addition, the state agency may exclude:

(1) Housing allowances received by military services personnel residing off military installations or in privatized housing, whether on or off-base (7 CFR section 246.7(d)(2)(iv)(A)(1)); and

(2) Any cost-of-living allowance provided to military personnel who are on duty outside the contiguous states of the United States (7 CFR section 246.7(d)(2)(iv)(A)(2)).

At a minimum, in-stream (away from home base) migrant farm workers and their families with expired Verification of Certification cards shall meet the state agency’s income standard provided that the income of the family is determined at least once every 12 months (7 CFR section 246.7(d)(2)(ix)).

An ITO state agency, or a state agency acting on behalf of an ITO, may submit reliable data that proves to FNS that the majority of Indian households in a local agency service area have incomes at or below the state agency’s income guidelines. In such cases, FNS may authorize the state agency to permit the use of an abbreviated income screening process whereby an applicant affirms, in writing, that his/her family income is within the state agency’s prescribed guidelines (7 CFR section 246.7(d)(2)(viii)).

State agencies may instruct local agencies to consider family income over the preceding 12 months or the family’s current rate of income, whichever indicator more accurately reflects the family’s income status. To provide more consistency and accountability, WIC has encouraged state agencies to define a family’s current rate of income as all income received by the household during the month (30 days) prior to the date the application for WIC benefits is made, or, if the income assessment is being done prospectively, all income that will be available to the family in the next 30 days (see WIC Policy Memorandum No. 2013-3, Income Eligibility Guidance, issued April 26, 2013, which is available at <https://www.fns.usda.gov/wic/income-eligibility-guidance> (7 CFR sections 246.7(d)(2)(i) and (v)).

d. *Nutritional Risk* – A competent professional authority (e.g., physician, nutritionist, registered nurse, or other health professional) must determine that the applicant is at nutritional risk. While the broad guidelines for determining nutritional risk are set forth in WIC legislation and regulations, the specific allowable nutritional risk criteria are defined in WIC policy guidance, which is updated periodically. Each state agency may choose which allowable nutritional risk criteria will be used to determine eligibility. At a minimum, the certifying agency must perform and/or document measurements of each applicant’s height or length and weight. In addition, a hematological test for anemia must be performed or documented at certification if the applicant has no nutritional risk factor prescribed by the state agency other than anemia. Certified applicants with qualifying nutritional risk factors other than anemia must also be tested for anemia within 90 days of the date of certification. Program regulations set several exceptions to these general rules. The determination of nutritional risk may be based on current referral data provided by a competent professional authority who is not on the WIC staff (7 CFR sections 246.2 (definitions of “competent professional authority” and “nutritional risk”) and 246.7(e)).

When an applicant meets all eligibility criteria, he/she is determined by WIC clinic staff to be eligible for program benefits. Certification periods are assigned to each participant based on categorical status for women, infants, and children (7 CFR section 246.7(g)).

A WIC local agency assigns each eligible person a priority classification according to the classification system described in 7 CFR section 246.7(e)(4). A person’s priority assignment reflects the severity of his/her nutritional risk. If the local agency cannot immediately place the person on the program for lack of an available caseload slot, the person is placed on a waiting list. Caseload vacancies are filled from the waiting list in priority classification order. State agencies are expected to target program outreach and caseload management efforts toward persons at greatest nutritional risk (i.e., those in the highest priority classifications).

Pregnant women are certified for the duration of their pregnancy and for up to six weeks postpartum. Breastfeeding women may be certified approximately every six months, or up to one year postpartum or until the woman ceases breastfeeding, whichever occurs first (7 CFR section 246.7(g)(1)). Infants are certified at intervals of approximately six months, except that infants under six months of age may be certified for a period extending up to the child’s first birthday, provided the quality and accessibility of health care services are not diminished. Children are certified for six-month intervals ending with the last day of the month in which the child reaches the fifth birthday. State agencies also have the option to certify children for a period of one year if the state agency ensures that the child receives the required health and nutrition assessments (7 CFR section 246.7(g)(1)). Non-breastfeeding women are certified for up to six months postpartum. All categories of participants may be certified up to the last day of the last month of the certification period (7 CFR section 246.7(g)(1)).

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

**3. Eligibility for Subrecipients –** Not Applicable at Local Level

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### Additional Program Specific Information

**Add program specific requirements from:**

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

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

In order to be eligible for WIC, the gross countable income of the economic unit, of which the applicant/participant is a member, must be less than or equal to the Ohio WIC program income guidelines for economic unit size provided in the following chart. WIC income guidelines are updated each year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Economic Unit | Annually | Monthly | Twice Monthly | Biweekly | Weekly |
| 1 | $26,973 | $2,248 | $1,124 | $1,038 | $519 |
| 2 | 36,482 | 3,041 | 1,521 | 1,404 | 702 |
| 3 | 45,991 | 3,833 | 1,917 | 1,769 | 885 |
| 4 | 55,500 | 4,625 | 2,313 | 2,135 | 1,068 |
| 5 | 65,009 | 5,418 | 2,709 | 2,501 | 1,251 |
| 6 | 74,518 | 6,210 | 3,105 | 2,867 | 1,434 |
| 7 | 84,027 | 7,003 | 3,502 | 3,232 | 1,616 |
| 8 | 93,536 | 7,795 | 3,898 | 3,598 | 1,799 |

Revised 7/23

*(Source:* [*Ohio WIC Program Eligibility website*](https://odh.ohio.gov/know-our-programs/women-infants-children/resources/ohio-wic-program-eligibility) *on the Ohio WIC Program Income Guidelines tab)*

**Ohio Department of Health**

**B1.1 Eligibility**

Eligible organizations may include State, Local and Indian Tribal Governments, institutions of higher education, non-profit organizations (including faith-based, community-based, and tribal organizations), and hospitals. Specific eligibility requirements are found in the program specific Solicitation.

Organizations interested in applying for and administering public health grants from ODH must use the Grants Management Information System GMIS to submit grant applications. All subrecipients must submit applications in a complete and timely manner according to the applicable federal and state laws, regulations and the OGAPP manual in order to be considered an eligible applicant. Incomplete and/or late applications will result in the entire application not being considered for review.

*(Source: OGAAP Manual, Updated December 2017)*

### Audit Objectives and Control Testing

**Audit Objectives**

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

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

3. Determine whether subawards were made only to eligible subrecipients.

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

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

**Control Documentation and Testing**

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| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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

### Audit Implications Summary

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| --- |
| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## H. PERIOD OF PERFORMANCE

### OMB Compliance Requirements

A non-Federal entity may charge only allowable costs incurred during the approved budget period of a federal award’s period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity sections 2 CFR 200.308, 200.309, and 200.403(h). A period of performance may contain one or more budget periods.

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award (2 CFR 200.344(b)). When used in connection with a non-Federal entity’s utilization of funds under a Federal award, “financial obligations” means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 CFR 200.1\_Obligations).

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

**Source of Governing Requirements**

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

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

**Part 4 OMB Program Specific Requirements**

1. *Spend-Forward Option* – A state agency may spend NSA funds up to an amount equal to 3 percent of its total WIC formula grant for NSA costs of the following federal fiscal year. With prior approval from its FNS regional office, the state agency may also spend NSA funds, in an amount that does not exceed one-half of 1 percent of its total WIC formula grant, for management information systems development costs during the following federal fiscal year. Food funds may not be “spent forward” (42 USC 1786(i)(3)(A)(ii)(I); 7 CFR section 246.16(b)(3)(ii)).

2. *Backspend Option* – A state agency may:

a. Spend up to 1 percent of the food component of its grant for food costs of the federal fiscal year preceding the fiscal year for which the grant was awarded. This backspend authority may be raised as high as 3 percent with prior approval from FNS.

b. Spend up to 1 percent of its NSA grant component for food and/or NSA costs of the federal fiscal year preceding the fiscal year for which the grant was awarded (7 CFR section 246.16(b)(3)(i)).

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

### Additional Program Specific Information

**Add program specific requirements from:**

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

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

This Solicitation pertains to budget period: 10/1/2022 through 9/30/2023 of the total program period, 10/1/2022 through 9/30/2027.

*(Section I, Paragraphs A and J of the* [*Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Solicitation for Fiscal Year 2023*](https://odh.ohio.gov/wps/wcm/connect/gov/febb5c8c-31ac-449b-add5-ee2213f004da/WA23+WIC+Administration.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_K9I401S01H7F40QBNJU3SO1F56-febb5c8c-31ac-449b-add5-ee2213f004da-oqoSV.q)*)*

**Ohio Department of Health:**

**A3.1 Outstanding Obligations**

An obligation is created when funds are encumbered on a valid purchase order or purchase requisition for an authorized item. Obligations must be created by the last day of the project period. Any funds not properly obligated by the subrecipient within the project period will lapse and revert to ODH. Obligations listed on the interim report (i.e., fourth quarter or 12th month expenditure report) must be liquidated within thirty - five (35) calendar days after the end of the project period.

**A3.5 Outstanding Cash Balance**

Any subrecipient with an outstanding cash balance owed to ODH will be subject to having continuation grant payments or payment of all grants withheld. In addition, any agency with outstanding balances owed to ODH, which are not satisfied within forty-five (45) days after the invoice date, will be certified to the Ohio AG’s Office for purposes of collection and will be automatically placed in a high risk status for future grants without first receiving written notification.

The following constitutes a debt owed to ODH:

1. Any project funds paid by ODH in excess of the amount to which the subrecipient is determined to be entitled, under the terms of the award;
2. Any amounts due ODH as a result of the sale, transfer or salvage of program property, including patents and copyrights;
3. Any other amounts determined by ODH or the federal government to be due to ODH under the terms of the award.

**B2.9 – Obligations**

Outstanding Obligations can only be reported on the twelfth monthly or fourth quarterly expenditure report unless the subgrant program extends past 12 months. Outstanding obligations at the end of a fiscal year include accounts payable for authorized services and/or goods incurred during the funded fiscal year. This includes costs for employee services during the final pay period of a fiscal year or for equipment and supplies that have been ordered and delivered during the fiscal year and paid within the forty-five day liquidation period following the completion of the grant period.

The total amount of Outstanding Obligations listed on the twelfth month or fourth quarter expenditure report is the maximum amount that can be listed as current expenditures upon submission of the Final Expense Report. Any additional amounts of current expenditures or any additional outstanding obligations will not be accepted or paid with program funds.

ODH staff do not have the ability to disapprove monthly or quarterly expenditure reports that do not include obligations. Subrecipients who do not list all of their obligations on the twelfth month or fourth quarter report will be required to submit their general ledgers and invoices to support any additional costs listed on the final report that was not included in the obligations on the twelfth month or fourth quarter report.

**D2.3 Cash Balance**

The unobligated balance of grant funds at the end of the grant period (usually the fiscal year) is lapsed and lost to the project. Any cash balance at the end of the grant period must be returned to ODH within forty-five (45) days of the invoice date.

A cash balance is the difference between funds received and allowable expenditures. An unobligated balance is the difference between the cash balance and outstanding obligations. When all outstanding obligations are liquidated and paid or canceled, the unobligated balance will equal the cash balance.

Payments are based on actual expenses in order to minimize grant funds in the field. The same applies to the unobligated balance of project income when specified in the grant. The unobligated balance will increase when obligations are liquidated at a lower amount than estimated. The balance of funds realized after obligations are liquidated must be returned to ODH immediately with the submission of the final expenditure report.

*(Source: OGAAP Manual, Updated December 2017)*

### Audit Objectives and Control Testing

**Audit Objectives**

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

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

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

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

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*  1. Review the award documents and regulations pertaining to the program and determine any award-specific requirements related to the period of performance.  *This step should be addressed when auditors tailor the “Additional Program Specific Information.”*  \*2. For Federal awards with performance period beginning dates during the audit period, test transactions for costs recorded during the beginning of the period of performance and verify that the costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.  \*3. For Federal awards with performance period ending dates during the audit period, test transactions for costs recorded during the latter part and after the period of performance and verify that the costs had been incurred within the period of performance.  \*4. For Federal awards with performance period ending dates during the audit period, test transactions for Federal award costs for which the obligation had not been liquidated (payment made) as of the end of the period of performance and verify that the liquidation occurred within the allowed time period.  5. Test adjustments (e.g., manual journal entries) for Federal award costs and verify that these adjustments were for transactions that occurred during the period of performance. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## I. PROCUREMENT AND SUSPENSION AND DEBARMENT

### OMB Compliance Requirements – Procurement

***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 200.317 - 200.327. 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 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 200.319.

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed $10,000 ($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 ($250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR 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 200.320(b)).

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 200.320(b); the competitive proposals method under the conditions specified in 2 CFR 200.320(b)(2); 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 200.320(c).

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 200.324(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR 200.324(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.326. These provisions are described in Appendix II to 2 CFR Part 200, “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

*All Non-Federal Entities (including both states and other non-federal entities)*

Effective May 14, 2022, the non-Federal entity must ensure that all applicable programs comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project. Each covered Federal agency must ensure that “none of the funds made available for a Federal financial assistance program for infrastructure may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States. The Act requires the following Buy America preference:

1. All iron and steel used in the project are produced in the United States;

2. All manufactured products used in the project are produced in the United States; and

3. All construction materials are manufactured in the United States.

Important Notes:

• A non-federal entity must comply with the BABA requirements to the extent that the non-federal entity has been informed of these requirements, such as through the award terms and conditions.

• Several Federal agencies, in consultation with OMB, issued “waivers” as an exception from or waiver of the Made in America laws. For a listing of waivers by agency see <https://www.madeinamerica.gov/waivers/financial-assistance>. For a listing of waivers by category see <https://www.madeinamerica.gov/waivers>. If additional information is needed, see the agency contact found in Appendix III.

***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 52.244-2](48_CFR_52.244-2.pdf) (consent to subcontract), [52.244-5](48_CFR_52.244-5.pdf) (competition), [52.203-13](48_CFR_52.203-13.pdf) (code of business ethics), [52.203-16](48_CFR_52.203-16.pdf) (conflicts of interest), and [52.215.12](48_CFR_52.215-12.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 200.317 - 200.327, 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](48_CFR_Part_3.pdf), [15](48_CFR_Part_15.pdf), [44](48_CFR_Part_44.pdf) and the clauses at [48 CFR 52.244-2](48_CFR_52.244-2.pdf), [52.244-5](48_CFR_52.244-5.pdf), [52.203-13](48_CFR_52.203-13.pdf), [52.203-16](48_CFR_52.203-16.pdf), and [52.215-12](48_CFR_52.215-12.pdf); agency FAR Supplements; and the terms and conditions of the contract.

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

### OMB Compliance Requirements – Suspension and Debarment

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 180.220](2_CFR_Part_180.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 180.215](2_CFR_Part_180.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 180.995](2_CFR_Part_180.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 System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at [SAM.gov | Home](https://www.sam.gov/) (click on Search Record, then click on Advanced Search-Exclusions) (**Note:** The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity ([2 CFR 180.300](2_CFR_Part_180.pdf)).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at [48 CFR 52.209-6](48_CFR_52.209-6.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](2_CFR_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](OMB_Appendix_II.pdf) to the Supplement 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 9.405-2(b)](48_CFR_9.405-2.pdf) and the clause at [48 CFR 52.209-6](48_CFR_52.209-6.pdf).

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

**Part 4 OMB Program Specific Requirements**

No Part 4 OMB Program Specific Requirements for this compliance requirement.

*(Source: 2023 OMB Compliance Supplement, Part 4, USDA, #10.557 WIC)*

***Written Procedure Requirements:***

*2 CFR 200.318(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(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(b)(2) 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(d) requires non-federal entities to have written procedures for procurement transactions to 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.*

### Additional Program Specific Information

**Add program specific requirements from:**

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

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

**Ohio Department of Health**

**B1.3 Federal Suspension and/or Debarment**

Organizations or individuals that are suspended or debarred cannot apply for or be paid from ODH grants during the period of the suspension or debarment. In the event that an agency is debarred, another entity from within the county, an adjoining county, or regional provider can compete for the program dollars. As a result, the entity awarded the grant, cannot contract and/or hire the debarred agency in any capacity. Any expenditure charged to an ODH grant for such individuals or agencies will be disallowed.

Applicants are required to disclose to ODH if any of the following conditions apply to the agency or agency personnel:

1. Applicant has been convicted of or had a civil judgment rendered against them within the three year period preceding the application for ODH funding for any of the following:
   1. Fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction or contract under a public transaction;
   2. Violation of a federal or state antitrust statute;
   3. Embezzlement, theft, forgery, bribery, falsification or destruction of records, or
   4. False statements or receipt of stolen property.
2. Applicant is presently indicted or otherwise criminally or civilly charged by a governmental entity (federal, state, or local) with the commission of any of the offenses enumerated above.
3. Applicant has had any public transaction (federal, state or local) terminated for cause or default within the three-year period preceding the application for ODH funding.

**C2.2 Procurement Standards**

Procurement is the purchase of merchandise or services at the optimum total cost in the correct amount and quality. These goods and services must be purchased at the correct time and location for the express gain or use of the project within the designated period. This process not only involves the purchasing of commodities but also quality and quantity checks.

Subrecipients may use their own procurement policies when using project funds for the procurement of equipment, supplies, and services provided they are made in accordance with the standards in this section and the applicable CFR.

The subrecipient is responsible for any contract it enters into on behalf of the grant-supported project.

Neither ODH nor the Federal Government assumes any liability arising from contracts, agreements, or obligations entered into by the subrecipient.

When procuring for project activities, the subrecipient shall maintain a code or standard of conduct for its officers, employees, or agents that shall include provisions for disciplinary actions for its violation.

For governmental subrecipients, such disciplinary actions are required only to the extent otherwise permissible under the government's laws, rules, or regulations and shall provide for action to be taken against contractors or their agents when they violate the code or standard.

Subrecipient officers, employees, or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from ODH contractors or potential contractors. This is not intended to preclude legitimate institutional fund-raising activities.

No employee, officer, or agent of a subrecipient shall participate in the selection, grant, or administration of a contract subject to this section where any of the following has a financial interest in that contract:

1. The employee, officer or agent
2. Any member of his or her immediate family
3. His or her partner
4. An organization in which any of the above individuals are an officer, director, or employee
5. A person or organization with whom any of the above individuals is negotiating or has any arrangement concerning prospective employment.

The subrecipient should be alert to organizational conflicts of interests or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. All procurement transactions shall be conducted in a manner that provides open and free competition to the maximum extent practicable.

The Department of Administrative Services (DAS) establishes State Term Schedules with vendors for various supplies and services. Political subdivisions, state universities, vocational schools, community colleges, and other institutions, as defined in Section 125.04(B) of the Ohio Revised Code may use a state term schedule contract. For those agencies that do not have authority to use the STS contracts, but may have a similar practice available within the agency; must thoroughly document such practice in an agency policy.

Solicitations by the subrecipient shall clearly set forth all requirements that the bidder must fulfill in order for the bid to be evaluated. Bids and offers made by vendors for contracts in response to the subrecipient's solicitation must be evaluated based on the lowest bid or offer that provides the most adequate quality of goods or services, which will ensure optimal utilization of grant funds per unit value. Factors such as discounts, transportation costs, and taxes should be considered in determining the lowest bid. Any bid may be rejected when it is in the project's interest to do so, and, in the case of governmental subrecipients, such rejections are in accordance with applicable rules, laws or regulations.

The subrecipient shall establish procurement procedures that provide for the following**:**

1. Assurances that preclude unnecessary duplication of purchases and/or contracts. The subrecipient shall analyze alternatives to the procurement (such as leasing) to determine the most economical and practical procurement. This analysis should be documented.
2. Solicitations for goods and services must be based on clear and accurate descriptions of the technical requirements for the material, product, or service to be procured. In competitive procurements, such descriptions shall not contain features, which unduly restrict competition.
3. Preferences and opportunities in the procurement of goods and services shall be given to Indians, Indian organizations, and Indian-owned economic enterprises where applicable to Section 7 (b) of the Indian Self-determination and Education Assistance Act (25 U.S.C. 450e (b)).
4. Positive efforts shall be made by procuring parties to utilize small business and minority-owned business sources of supplies and services.
5. The type of procuring instruments used (e.g., fixed-price contracts, cost reimbursable contracts, purchase orders, incentive contracts) shall be determined by the subrecipient but must be appropriate for the particular procurement and for promoting the best interest of the project. The "cost-plus-a-percentage-of cost" method of contracting shall not be used.
6. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources and accessibility to other necessary resources.
7. Prior approval is needed from the Program administering the project in consultation with the ODH Chief Financial Officer when the aggregate expenditure is expected to be greater than or equal to $40,000, when a sole source contract is proposed, or when a non-governmental subrecipient proposes to grant a contract after seeking competition but only receiving one bid.
8. Non-governmental subrecipients should make some form of price or cost analysis in connection with every negotiated procurement action. Price analysis may include the comparison of submitted price quotations, market prices, and similar indices, along with discounts. Cost analysis is done to determine reasonableness, allocability, and allowability.
9. The subrecipient's records and files for purchases in excess of or equal to $40,000 shall include the basis for contractor selection; justification for lack of competition when competitive bids or offers are not obtained; and basis for grant cost or price.
10. A system for contract administration shall be maintained to ensure contractor conformance with terms, conditions, and specifications of the contracts, and to ensure adequate and timely follow-up of all purchases.

Governmental subrecipients shall use formal advertising in making procurements whenever practicable or feasible. When formal advertising is not practicable or feasible, procurements may be negotiated with prior written approval from GSU, subject to the conditions of 45 CFR Part A, Appendix A.

Competition shall be obtained to the maximum extent practicable whether procuring by advertising or negotiation. All negotiated procurement in excess of $4,000, a government subrecipient shall have in its procurement files and records written justification for the use of the negotiation in lieu of advertising.

*(Source: OGAAP Manual, Updated December 2017)*

### Audit Objectives and Control Testing

**Audit Objectives**

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

2. Determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to an award or subaward.

3. For covered transactions determine whether the non-federal entity verified that entities are not suspended, debarred, or otherwise excluded.

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

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

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

* *UG requires a written policy for the requirements outlined in 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
* *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(b)(2) for selection and awarding of contracts for competitive proposals.*
  + *2 CFR 200.319(d) 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(b)(2), and 2 CFR 200.319(d).*
  + *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
  + *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.* 
    - *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.*  **Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:  **Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:  **Person(s) responsible for performing the control procedure** *(Title)*:  **Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  ***The local government is required to be in compliance with applicable state and local procurement requirements regardless of whether the local government procures item(s) itself or relies upon an intergovernmental arrangement with co-op or another entity to procure on its behalf. Auditors need to test procurement files whether they're from the local government, the co-op, or another entity.***  ***AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the Procurement Federal Testing Template available on the Intranet.*  *Procedure 1 is omitted as it is only applicable to States.*  *(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 200.318(c) and [48 CFR 52.203-13](48_CFR_52.203-13.pdf) and [52.203-16](48_CFR_52.203-16.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 200.319(c)).  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 200.318(i) and [48 CFR Part 44](48_CFR_Part_44.pdf) and [52.244-2](48_CFR_52.244-2.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 200.320. Current micro-purchase and simplified acquisition thresholds can be found in the FAR (48 CFR Subpart 2.1, “Definitions”)  \*c. Verify that procurements provide full and open competition (2 CFR 200.319 and [48 CFR 52.244-5](48_CFR_52.244-5.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 200.319 and 200.320(c) and [48 CFR 52.244-5](48_CFR_52.244-5.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 200.324 and [48 CFR 15.404-3](48_CFR_15.404-3.pdf)).  OMB 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 52.244-2](48_CFR_52.244-2.pdf)).  OMB 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.  *The Federal Acquisition Regulations (FAR) defines cost-reimbursement contracts in 48 CFR Subpart 16.3. Cost-reimbursement contracts are contracts which establish an estimate of total costs (or a ‘ceiling’) which a contractor may not exceed (except at its own risk) without the approval of a contracting officer. Cost-reimbursement contracts are only allowable when the circumstances described in 48 CFR 16.301-3 have been met.*  *(Procedures 6 and 8 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 200.213 and 200.318(h); [2 CFR 180.300](2_CFR_Part_180.pdf); [48 CFR 52.209-6](48_CFR_52.209-6.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.  *If an internal control deficiency or noncompliance is noted with Suspension and Debarment requirements, AoS auditors must consult with Legal for an evaluation. IPAs should review the Federal agency adoption of the Suspension and Debarment requirements as well as the specific terms and conditions in the grant agreement to ensure the comment is accurate.*  8. Select a sample of procurement agreements for infrastructure projects subject to BABAA and test whether the non-federal entity included the Buy America domestic preference provisions in each agreement, or obtained a BABAA waiver. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.*  *Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*   1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)* 2. **Assessment of Control Risk:** 3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:** 4. **Results of Compliance (Substantive Tests) Tests:** 5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_** |

## Program Testing Conclusion

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

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

Per paragraph 13.39 of the **AICPA Single Audit Guide[Permalink to here](https://checkpoint.riag.com/app/view/docPermaLink?DocID=iAICPAIGS:767.2440&docTid=T0AICPAIGS:767.2440-1&feature=ttoc&lastCpReqId=97899&tlltype=AICPAIGS:767.2668)**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(2 CFR 200.516):**

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

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

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

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.34 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or verbally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

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

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