**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

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

|  |  |
| --- | --- |
| **Federal Award Name:** | Career and Technical Education – Basic Grants to States (Perkins V) |
| **AL#:** | 84.048 |

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

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

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

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

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

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

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

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

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

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

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

*Control Risk Assessment:*

*Auditors must:*

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

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

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

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

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

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

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

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

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

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

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

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

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

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

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

# Part I – OMB Compliance Supplement Information

***US Department of Education Crosscutting Information***

**References to the ESEA are to the ESEA, as amended by the Every Student Succeeds Act (ESSA).**

The ESEA was amended December 10, 2015, by the ESSA (Pub. L. No. 114-95).

**Waivers and Expanded Flexibility**

Local educational agencies (LEAs) through their SEA, and schools through their LEA and SEA, may request waivers from ED of many of the statutory and regulatory requirements of programs authorized in the ESEA. In addition, some States have been granted authority to grant waivers of Federal requirements under the Education Flexibility Partnership Act of 1999. See approved States at: [https://oese.ed.gov/offices/office-state-grantee-relations-evidence-based-practices/ed- flex/awards/](https://oese.ed.gov/offices/office-state-grantee-relations-evidence-based-practices/ed-%20flex/awards/).

Due to the COVID-19 pandemic, ED invited SEAs to apply for certain fiscal waivers. A list of the invited waivers is available at:

* ESEA: [Guidance - Office of Elementary and Secondary Education](https://oese.ed.gov/guidance/)
* Adult Ed and Perkins: <https://www2.ed.gov/about/offices/list/ovae/pi/AdultEd/tydings-covid-waiver-letter-aefla.pdf>
* IDEA: <https://www2.ed.gov/policy/speced/guid/idea/monitor/cssos-mfs-2018-waiver-authority-06-05-2020.pdf>

For certain programs, lists of waivers granted under the CARES Act waiver authority are listed in the *Federal* *Register*:

* Adult-Ed and Perkins: <https://www.federalregister.gov/documents/2020/11/05/2020-24537/notice-of-waiver-granted-under-the-coronavirus-aid-relief-and-economic-security-cares-act>
* ESEA: <https://www.federalregister.gov/documents/2020/05/18/2020-10563/notice-of-waivers-granted-under-section-3511-of-the-coronavirus-aid-relief-and-economic-security>

**Cross-Cutting Requirements**

The requirements in this cross-cutting section can be classified as either general or program- specific. General cross-cutting requirements are those that are the same for all applicable programs but are implemented on an entity level. These requirements need only be tested once to cover all applicable major programs. The general cross-cutting requirements that the auditor only need test once to cover all applicable major programs are: III.G.2.1, “Level of Effort- Maintenance of Effort” (except for certain ESF programs see program specific level of effort- maintenance of effort requirement); and III.N, “Special Tests and Provisions.” Program-specific cross-cutting requirements are the same for all applicable programs but are implemented at the individual program level. These types of requirements need to be tested separately for each applicable major program. The compliance requirement in III.N.1, “Participation of Private School Children,” may be tested on a general or program-specific basis.

In recent years, the Office of Inspector General in ED has investigated a number of significant criminal cases related to the risk of misuse of Federal funds and the lack of accountability of Federal funds in public charter schools. Auditors should be aware that, unless an applicable program statute provides otherwise, public charter schools and charter school LEAs are subject to the requirements in this cross-cutting section to the same extent as other public schools and LEAs. Auditors also should note that, depending upon State law, a public charter school may be its own LEA or a school that is part of a traditional LEA.

Program procedures for non-ESEA programs covered by this cross-cutting section and additional information on program procedures for the ESEA programs are set forth in the individual program sections of this Supplement.

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### I. Program Objectives

***US Department of Education Program Specific Information***

On July 31, 2018, the president signed into law the Strengthening Career and Technical Education for the 21st Century Act (Pub. L. No. 115-224) (Perkins V), which reauthorized and amended the Carl D. Perkins Career and Technical Education Act of 2006. Perkins V provides grants to states and outlying areas to develop the academic knowledge and technical and employability skills of secondary students and postsecondary students by (1) building on the efforts of states and localities to develop challenging academic and technical standards and to assist students in meeting such standards; (2) promoting the development of services and activities that integrate rigorous and challenging academic and career and technical instruction, and that link secondary education and postsecondary education; (3) increasing state and local flexibility in providing services and activities designed to develop, implement and improve career and technical education; (4) conducting and disseminating national research and disseminating information on best practices that improve career and technical education programs and programs of study, services, and activities; (5) providing technical assistance; (6) supporting partnerships among secondary schools, postsecondary institutions, baccalaureate degree-granting institutions, area career and technical education schools, local workforce investment boards, business and industry, and intermediaries; and (7) providing individuals with opportunities to develop, in conjunction with other educational and training programs, the knowledge and skills needed to keep the United States competitive; and (8) increasing the employment opportunities for populations who are chronically unemployed or underemployed, including individuals with disabilities, individuals from economically disadvantaged families, out-of-workforce individuals, youth who are in, or have aged out of, the foster care system, and homeless individuals.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Education, #84.048 Career and Technical Education – Basic Grants to States (Perkins V))*

***US Department of Education Crosscutting Information***

Program objectives for programs covered by this cross-cutting section are set forth in the individual program sections of this Supplement.

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### II. Program Procedures

***US Department of Education Program Specific Information***

**A. Overview**

Participating states must designate or establish a state board of career and technical education (defined in Perkins V as the “eligible agency” (Section 3(18) of Perkins V (20 USC 2302(18)), and herein referred to as the “state”) to administer and supervise state career and technical education programs. In order to receive funds for any program year, the state must have an approved state plan for career and technical education or an approved combined state plan under the Workforce Innovation and Opportunity Act (WIOA) (Pub. L. No. 113-128).

**B. Allocation and Uses of Funds**

The Department of Education (ED) allocates funds to the state based on a statutory formula described in Section 111 of Perkins V. From the amount allotted to the state under Section 111 for any fiscal year, the state shall make available funds for the following statutorily prescribed programs and activities.

|  |  |  |
| --- | --- | --- |
| **Programs and Activities** | **Section of Perkins V** | **Statutory Amount of Section 111 Funds** |
| Secondary and postsecondary career and  technical education programs | Section 112(a)(1) | Not less than 85 percent, of which not more than 15 percent of the 85 percent may be “reserved” under section 112(c) |
| State leadership activities | Section 112(a)(2) | Not more than 10 percent |
| State administration activities | Section 112(a)(3) | Not more than 5 percent, or $250,000, whichever is greater |

The state may operate these programs and activities directly and/or transfer funds through contracts or grants to other state agencies to administer one or more of them.

In administering secondary and postsecondary career and technical education programs under Section 112(a)(1) of Perkins V, the state makes grants to eligible recipients (“hereinafter referred to as subrecipients”) as defined in Section 3(21) of Perkins V (20 USC 2302(21)). Subrecipients submit applications to the state in order to receive funds, which are distributed by statutory formula.

The state and subrecipients may use their funds for a wide range of CTE programs, activities, and services as described in law:

1. Secondary and postsecondary career and technical education programs – Section 135 of Perkins V (20 USC 2355);

2. State leadership activities – Section 124 of Perkins V (20 USC 2344);

3. State administration activities – Section 112(a)(3) of Perkins V (20 USC 2322)(a)(3)).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Education, #84.048 Career and Technical Education – Basic Grants to States (Perkins V))*

***US Department of Education Crosscutting Information***

1. **Overview**
2. *ESEA Programs – Not Applicable to AL #84.048*
3. **Subprograms/Program Elements**

Unique Features of ESEA Programs That May Affect the Conduct of the Audit Subprograms/Program Elements

The following unique features may affect the conduct of an audit:

1. *Consolidation of Administrative Funds – Not Applicable to AL #84.048*
2. *Schoolwide Programs*

Eligible schools are able to use their Title I, Part A funds, in combination with other Federal, State, and local funds, in order to upgrade the entire educational program of the school and to raise academic achievement for all students. Except for some of the specific requirements of the Title I, Part A program, Federal funds that a school consolidates in a schoolwide program are not subject to most of the statutory or regulatory requirements of the programs providing the funds as long as the schoolwide program meets the intent and purposes of those programs. The Title I, Part A requirements that apply to schoolwide programs are identified in the Title I, Part A program-specific section. If a school does not consolidate Federal funds with State and local funds in its schoolwide program, the school has flexibility with respect to its use of Title I, Part A funds, consistent with Section 1114 of ESEA (20 USC 6314), but it must comply with all statutory and regulatory requirements of the other Federal funds it uses in its schoolwide program.

1. *Transferability – Not Applicable to AL #84.048*
2. *Small Rural Schools Achievement Alternative Use of Funds – Not Applicable to AL #84.048*

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### III. Source of Governing Requirements

***US Department of Education Program Specific Information***

This program is authorized by the Carl D. Perkins Career and Technical Education Act of 2006, as amended by the Strengthening Career and Technical Education for the 21st Century Act (Perkins V) (20 USC 2301 et seq., as amended by Pub. L. No. 115-224).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Education, #84.048 Career and Technical Education – Basic Grants to States (Perkins V))*

***US Department of Education Crosscutting Information***

**Availability of Other Program Information**

An ED *Federal Register* notice, dated July 2, 2004 (69 FR 40360-40365), indicating which Federal programs may be consolidated in a schoolwide program, is available at <http://www.gpo.gov/fdsys/pkg/FR-2004-07-02/pdf/04-15121.pdf>.

A number of documents contain guidance applicable to the cross-cutting requirements in this section. Documents numbered 10-11 below, which were issued before enactment of the ESSA, are applicable in general. They include:

1. ESSA Fiscal Changes & Equitable Services (which includes guidance on Transferability Authority) (November 21, 2016) [ESSA Non Regulatory Guidance Fiscal and Equitable Service 11-21-2016 (PDF) (ed.gov)](https://oese.ed.gov/files/2020/07/essaguidance160477.pdf)

Note: The information on Title I, Part A equitable services in this document is superseded by the nonregulatory guidance ED issued in October 2019. See below.

1. ESSA Schoolwide Guidance (September 29, 2016) <https://oese.ed.gov/files/2020/07/essaswpguidance9192016.pdf>
2. Title I, Part A of the ESEA: Providing Equitable Services to Eligible Private School Children, Teachers, and Families (October 7, 2019) <https://oese.ed.gov/files/2020/07/equitable-services-guidance-100419.pdf>
3. Informational Document on the Rural Education Achievement Program (REAP) (January 19, 2021) [https://oese.ed.gov/files/2021/01/19-0043-REAP-Informational-Document- final-OS-Approved-1.pdf](https://oese.ed.gov/files/2021/01/19-0043-REAP-Informational-Document-final-OS-Approved-1.pdf)
4. Non-Regulatory Guidance: Early Learning in the Every Student Succeeds Act (November 2016) <https://oese.ed.gov/files/2020/07/essaelguidance10202016.pdf>
5. Within-District Allocations Under Title I, Part A of the Elementary and Secondary Education Act of 1965 (Draft) <https://oese.ed.gov/files/2022/02/Within-district-allocations-FINAL.pdf>
6. Providing Equitable Services to Students and Teachers in Non-Public Schools under the CARES Act Programs (Oct. 9, 2020) [https://oese.ed.gov/files/2020/10/Providing- Equitable-Services-under-the-CARES-Act-Programs-Update-10-9-2020.pdf](https://oese.ed.gov/files/2020/10/Providing-Equitable-Services-under-the-CARES-Act-Programs-Update-10-9-2020.pdf)
7. Fact Sheet: State-Administered Programs under the ESEA and the Nationwide Waiver from the U.S. Department of Agriculture to Allow Meal Pattern Flexibility in the Summer Food Service Program and the National School Lunch Program Seamless Summer Option through June 2021 (January 2021) <https://oese.ed.gov/files/2021/05/Fact-sheet-on-USDA-meals-waivers-Jan-2021.pdf>
8. DRAFT Title VIII, Part F of the Elementary and Secondary Education Act of 1965, as Amended by the Every Student Succeeds Act: Equitable Services for Eligible Private School Children, Teachers, and Other Educational Personnel [Draft-Title-VIII-Equitable-](https://oese.ed.gov/files/2022/03/Draft-Title-VIII-Equitable-Services-Guidance.pdf) [Services-Guidance.pdf (ed.gov)](https://oese.ed.gov/files/2022/03/Draft-Title-VIII-Equitable-Services-Guidance.pdf)
9. How Does a State or Local Educational Agency Allocate Funds to Charter Schools that are Opening for the First Time or Significantly Expanding Their Enrollment? (December 2000) <https://oese.ed.gov/files/2020/07/cguidedec2000.pdf>
10. Title I Fiscal Issues: Maintenance of Effort; Comparability; Supplement, not Supplant; Carryover; Consolidating Funds in Schoolwide Programs; and Grantback Requirements (February 2008) <https://oese.ed.gov/files/2020/07/fiscalguid.pdf>
11. Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success (September 7, 2012)<http://www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting.html?exp=3>
12. A BABAA FAQ document, U.S. Department of Education Frequently Asked Questions about the Build America Buy America Act, addressing questions related to ED’s implementation of BABAA is available at [https://www2.ed.gov/policy/fund/guid/buy- america/faqs.pdf](https://www2.ed.gov/policy/fund/guid/buy-america/faqs.pdf) and additional information can be found at [https://www2.ed.gov/policy/fund/guid/buy-america/index.html.](https://www2.ed.gov/policy/fund/guid/buy-america/index.html)

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### IV. Other Information

***US Department of Education Program Specific Information***

**Availability of Other Program Information**

Program and policy guidance applicable to the Perkins V requirements in this program supplement are available on the Perkins Collaborative Resource Network (PCRN) at <https://cte.ed.gov/>. The relevant documents are:

1. State allocations under Perkins V (under Grant Programs/State Allocations tab);

2. Guidance for the submission of state plans, revisions, budgets, and performance levels for Perkins V (under the Grant Programs/State Plans tab);

3. Guidance for the submission of Consolidated Annual Reports (CAR) under Perkins V (under the Accountability/CAR tab); and

4. Prior approval authority regarding program income for Perkins V subrecipients (under Grant Programs/State Formula Grants/Related Sources/Program Memorandum).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Education, #84.048 Career and Technical Education – Basic Grants to States (Perkins V))*

***US Department of Education Crosscutting Information***

1. *Consolidation of Administrative Funds (SEAs and LEAs) – Not Applicable to AL #84.048*
2. *Schoolwide Programs (LEAs)*

*ESEA programs in this Supplement to which this section applies are Title I, Part A (84.010); MEP (84.011); Title III, Part A (84.365); Title II, Part A (84.367); and Title IV, Part A (84.424).*

*This section also applies to IDEA (84.027 and 84.173) and CTE (84.048).*

Since schoolwide programs are not separate Federal programs, as defined in 2 CFR section 200.42, expenditures of Federal funds consolidated in schoolwide programs should be included in the audit universe and the total expenditures of the programs from which they originated for purposes of (1) determining Type A programs and (2) completing the SEFA. A footnote showing, by program, amounts consolidated in schoolwide programs is encouraged.

1. *Transferability (SEAs and LEAs) – Not Applicable to AL #84.048*
2. *Prima Facie Case Requirement for Audit Findings*

Section 452(a)(2) of the General Education Provisions Act (20 USC 1234a(a)(2)) requires that ED officials establish a prima facie case when they seek recoveries of unallowable costs charged to ED programs. When the preliminary ED decision to seek recovery is based on an audit under 2 CFR Part 200, Subpart F, upon request, auditors will need to provide ED program officials audit documentation. For this purpose, audit documentation (part of which is the auditor’s working papers) includes information the auditor is required to report and document that is not already included in the reporting package.

The requirement to establish a prima facie case for the recovery of funds applies to all programs administered by ED, with the exception of Impact Aid (Assistance Listing 84.041) and programs under the Higher Education Act (i.e., the Family Federal Education Loan Program (Assistance Listing 84.032) and the other ED programs covered in the Student Financial Assistance Cluster in Part 5 of the Supplement).

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

# Part II – Pass through Agency and Grant Specific Information

### Program Overview

**Application Access**

The Ohio Department of Education (ODE) uses an online Funding Application (FA), known as the [Comprehensive Continuous Improvement Plan (CCIP)](https://ccip.ode.state.oh.us/default.aspx?ccipSessionKey=638236407880099702) to administer a number of federal programs (not all) under which subawards are made to Local Educational Agencies (LEAs). The consolidated application (CA) is completed by the LEA and constitutes the LEA’s application for various federal programs.

Also, see [Additional Grants Management Guidance and Forms](http://education.ohio.gov/Topics/Finance-and-Funding/Grants/Grants-Management-Online-Forms) and [ODE Grants Manual](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US).

*(Source: Ohio Department of Education Office of Federal and State Grants Management)*

### Testing Considerations

**Consolidation of Administrative Funds and Coordination Services Projects**

The Ohio Department of Education has not implemented and the CCIP is not setup for the consolidation of administrative funds or the coordination services projects for its ESEA programs. However, consolidation is permitted by ODE.

*(Source: Ohio Department of Education Office of Federal Programs)*

### 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)*.*

Given the extraordinary challenges created by the COVID-19 pandemic, the US Department of Education (USED) is offering State educational agencies (SEAs) the opportunity to request waivers for fiscal flexibility for certain funds received under the Elementary and Secondary Education Act. Click [here](https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=87571) for the notice of the waiver and click [here](https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=87570) for the waiver template for states. Specifically, the USED is accepting waivers on the following:

1. Expired January 2022: 15 percent carryover limitation for Fiscal Year (FY) 2021 Title I, Part A funds. This waiver would allow SEA to waiver more than once every three years, if necessary, the 15 percent carryover limitation in ESEA section 1127 for local educational agencies (LEAs)

2. Expired September 2022: Extend period of availability of certain FY 2020 funds until September 30, 2022. The funds available for this extension are those under the SEA’s consolidated State plan, including:

* Title I, Part A of the ESEA (Improving Basic Programs Operated by LEAs), including the portions of the SEA’s Title I, Part A award used to carry out section1003 school improvement, section 1003A direct student services, if applicable, and Title I, Part D, Subpart 2
* Title I, Part B of the ESEA (State Assessment Formula Grants)
* Title I, Part C of the ESEA (Education of Migratory Children)
* Title I, Part D, Subpart 1 of the ESEA (Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At Risk)
* Title II, Part A of the ESEA (Supporting Effective Instruction)
* Title III, Part A of the ESEA (English Language Acquisition, Language Enhancement, and Academic Achievement)
* Title IV, Part A of the ESEA (Student Support and Academic Enrichment Grants)
* Title IV, Part B of the ESEA (21st Century Community Learning Centers)
* Title V, Part B, Subpart 2 of the ESEA (Rural and Low-Income School Program)
* McKinney-Vento Education for Homeless Children and Youth Program

*(Source:* [*ODE CCIP Note #478*](https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=87590)*)*

# 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**

***US Department of Education Program Specific Information***

*1. Activities Allowed*

a-c. *Not Applicable to LEAs*

d. Subrecipient (Eligible Recipient) Activities- Funds made available to subrecipients (referred to in the Perkins V law as eligible recipients) such as secondary school districts or local education agencies at the secondary level and community and technical colleges at the postsecondary level shall be used to develop, coordinate, implement or improve career and technical education programs to meet the needs identified in the comprehensive local needs assessment (described in Section 134(c) of Perkins V) at the secondary and postsecondary levels. The subrecipient plan or approved application describes the specific activities to be carried out. Requirements for, and examples of, uses of funds are identified in Section 135(b), (c) and (d) of Perkins V (20 USC 2355(b)), (c), and (d)).

e. Perkins funds made available to subrecipients shall be used to support career and technical education programs that are of sufficient size, scope, and quality to be effective and that—

(1) Provide career exploration and career development activities through an organized, systematic framework designed to aid students, including in the middle grades, before enrolling and while participating in a career and technical education program, in making informed plans and decisions about future education and career opportunities and programs of study;

(2) Provide professional development for teachers, faculty, school leaders, administrators, specialized instructional support personnel, career guidance and academic counselors, or paraprofessionals;

(3) Provide within career and technical education the skills necessary to pursue careers in high-skill, high-wage, or in- demand industry sectors or occupations;

(4) Support integration of academic skills into career and technical education programs and programs of study to support—

f. CTE participants at the secondary school level in meeting the challenging state academic standards adopted under Section 1111(b)(1) of the Elementary and Secondary Education Act of 1965, as amended by Pub. L. No. 115-224, by the state in which the eligible recipient is located; and

(1) CTE participants at the postsecondary level in achieving academic skills;

(2) Plan and carry out elements that support the implementation of career and technical education programs and programs of study and that result in increasing student achievement of the local levels of performance established under Section 113; and

(3) Develop and implement evaluations of the activities carried out with funds under this part, including evaluations necessary to complete the comprehensive needs assessment required under Section134(c) and the local report required under Section 113(b)(4)(B).

g. Schoolwide Programs - See ED Cross-Cutting Section.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Education, #84.048 Career and Technical Education – Basic Grants to States (Perkins V))*

***US Department of Education Crosscutting Information***

*a. Consolidation of Administrative Funds (SEAs/LEAs)- Not Applicable to AL #84.048*

*b. Schoolwide Programs (LEAs)- ESEA programs in this Supplement to which this section applies are Title I, Part A (84.010); MEP (84.011); 21st CCLC (84.287); Title III, Part A (84.365); Title II, Part A (84.367); and Title IV, Part A (84.424). This section also applies to ESSER & GEER (84.425C,D, and U), IDEA (84.027 and 84.173), and CTE (84.048).*

An eligible school participating under Title I, Part A may, in consultation with its LEA, use its Title I, Part A funds, along with funds provided from the above-identified programs, to upgrade the school’s entire educational program in a schoolwide program.

See IV, “Other Information,” for guidance on the treatment of consolidated schoolwide funds for purposes of Type A program determination and presentation in the SEFA.

*c. Transferability (SEAs and LEAs)- Not Applicable to AL #84.048*

*d. Small Rural Schools Achievement (SRSA) Alternative Uses of Funds Program- Not Applicable to AL #84.048*

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### 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.**

NOTE: Consolidated Administrative Funds is not applicable to the Career and Technical Education Grant.

The Perkins legislation focuses on developing more fully the academic knowledge and technical and employability skills of secondary education students and postsecondary education students who elect to enroll in career and technical education Programs of Study. Perkins funds must be used to support Ohio Department of Education approved career-technical education programs. The October 2021 ODE Guidance “[Perkins Regulations: Allowable Uses of Funds](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Career-Technical-Funding/Guidelines-for-Compliance-with-Perkins-V-Regulations.pdf.aspx?lang=en-US)” details uses of funds.

Food and beverage costs are an allowable use of Perkins funds when these costs are incurred as a part of a formal business, community or staff professional development meeting with a prescribed agenda. Food and beverages cannot be covered for strictly social events, but if business is being conducted and/or speakers are engaged in sharing information it is acceptable to use Perkins to cover the food and beverage costs associated with such an activity. Expenditures must be reasonable and necessary.

*(Source: Ohio Department of Education)*

Program funds may be used for Coordinated Services Projects, and/or Schoolwide Programs under Title I.

For additional ODE guidance related to implementation of the UG and written policy requirements, see [Grants Management Guidance](http://education.ohio.gov/Topics/Finance-and-Funding/Grants/Grants-Management-Online-Forms) and ODE [Grants Manual.](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)

*(Source: Ohio Department of Education Office of Federal and State Grants Management)*

**Unallowable Activities:**

No Federal funding may be used for the acquisition of real property unless specifically permitted by the authorizing statute or implementing regulations for the program (2 CFR 200.311).

*(Source: Ohio Department of Education Office of Federal and State* [*Grants Management Assurances*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Assurances_CCIP_Funding-Application.pdf.aspx?lang=en-US) *#18)*

Ohio Revised Code 3313.24 states, in part: The board of education of each local, exempted village or city school district shall fix the compensation of its treasurer which shall be paid from the general fund of the district. ODE considers all chief financial officers of educational entities, including but not limited to, non-profit corporations, community schools, colleges and universities to be similarly situated to treasurers of school districts.

Regardless of any additional duties in managing Federal or State funds, Federal and state law prohibits treasurers from receiving a supplemental contract for managing Federal or State funds.

*(Source:* [*ODE Treasurer Supplemental Contracts*](https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=1039)*)*

### 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**

***US Department of Education Crosscutting Information***

1. *Documentation of Employee Time and Effort (Consolidated Administrative Funds and Schoolwide Programs)*

*ESEA programs in this Supplement to which this section applies are Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); Title II, Part A (84.367); and Title IV, Part A (84.424). This section also applies to IDEA (84.027 and 84.173) (schoolwide programs only), CTE (84.048) (schoolwide programs only), and ESSER, GEER, and EANS (84.425C, D, R, U, and V) (consolidated administrative funds and schoolwide programs).*

1. *Consolidated Administrative Funds*: An SEA or LEA that consolidates Federal administrative funds is not required to keep separate records by individual program (Sections 8201(c) or 8203(e) of ESEA (20 USC 7821(c) or 7823(e))). The SEA or LEA may treat the consolidated administrative funds as a consolidated administrative cost objective.

Time-and-effort requirements with respect to consolidated administrative funds vary under different circumstances.

1. For an employee who works solely on the consolidated administrative cost objective, an SEA or LEA is not required to maintain records reflecting the distribution of the employee’s salary and wages among the programs included in the consolidation.
2. For an employee who works in part on the consolidated administrative cost objective and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources, an SEA or LEA must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to:
   1. The consolidated cost objective, and
   2. Each program or other cost objective supported by non- consolidated federal funds or other revenue sources.
3. *Schoolwide Programs* – A schoolwide program school is permitted to consolidate federal funds with state and local funds to upgrade the entire educational program of the school. A school that consolidates federal funds with state and local funds in a consolidated schoolwide pool is not required to maintain separate records by program (Section 1114(a)(3)(C) of ESEA (20 USC 6314(a)(3)(C), 34 CFR section 200.29(d). If a schoolwide program school does not consolidate federal funds in a consolidated schoolwide pool, the school must keep separate records by program. (Guidance is contained in the publication entitled Title I Fiscal Issues: Maintenance of Effort; Comparability; Supplement, not Supplant; Carryover; Consolidating Funds in Schoolwide Programs; and Grantback Requirements (February 2008). This guidance is available at <https://oese.ed.gov/files/2020/07/fiscalguid.pdf>.

Time-and-effort requirements in schoolwide program schools vary under different circumstances.

1. If a school operating a schoolwide program consolidates federal, state, and local funds in a consolidated schoolwide pool, there is no distinction between staff paid with federal funds and staff paid with state or local funds. Under these circumstances, payment from the single consolidated schoolwide pool is sufficient to demonstrate that an employee works only on activities of the schoolwide program, and no other documentation is required.
2. If a school operating a schoolwide program does not consolidate federal funds with state and local funds in a consolidated schoolwide pool, an employee who works, in whole or in part, on a federal program or cost objective must document time and effort as follows:
   1. For an employee who works solely on a single cost objective (e.g., a single federal program whose funds have not been consolidated or federal programs whose funds have been consolidated but not with state and local funds), an LEA is not required to maintain records reflecting the distribution of the employee’s salary and wages, including among the federal programs included in the consolidation, if applicable.
   2. For an employee who works on multiple activities or cost objectives (e.g., in part on a federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective), an LEA must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to:
      1. The federal program or cost objective; and
      2. Each other program or cost objective supported by consolidated federal funds or other revenue sources.
   3. In a September 7, 2012, letter to Chief State School Officers, ED authorized SEAs to approve LEAs’ use of a substitute system for time- and-effort reporting for employees whose salaries are supported by multiple cost objectives, but who work on a predetermined schedule. ED also provided guidance to clarify the meaning of a “single cost objective.” For more detail, see Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success (Sept. 7, 2012) (<https://www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting.html>).

*2. Indirect Costs*

*ESEA programs in this Supplement to which a restricted indirect cost rate applies are Title I, Part A (84.010); MEP (84.011); 21st CCLC (84.287); Title III, Part A (84.365); Title II, Part A (84.367); and Title IV, Part A (84.424).*

*This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); CTE (84.048); and IDEA, Part C (84.181).*

A “restricted” indirect cost rate (RICR) must be used for programs administered by state and local governments and their governmental subgrantees that have a statutory requirement prohibiting the use of federal funds to supplant nonfederal funds. The programs listed above in this section have a non-supplanting requirement and therefore must have a restricted indirect cost rate.

Nongovernmental grantees or subgrantees administering such programs have the option of using the RICR, or an indirect cost rate of 8 percent, unless ED determines that the RICR would be lower.

The formula for a restricted indirect cost rate is:

RICR = (General management costs + Fixed costs) / (Other expenditures). General management costs are costs of activities that are for the direction and control of the grantee’s (or subgrantee’s) affairs that are organization wide, such as central accounting services, payroll preparation and personnel management. For state and local governments, the general management indirect costs consist of (1) allocated Statewide Central Service Costs approved by the Department of Health and Human Services in a formal Statewide Cost Allocation Plan (SWCAP) as “Section I” costs and (2) departmental indirect costs. The term “general management” as it applies to departmental indirect costs does not include expenditures limited to one component or operation of the grantee. Specifically excluded from general management costs are the following costs that are reclassified and included in the “other expenditures” denominator:

* 1. Divisional administration that is limited to one component of the grantee;
  2. The governing body of the grantee;
  3. Compensation of the chief executive officer of the grantee;
  4. Compensation of the chief executive officer of any component of the grantee; and
  5. Operation of the immediate offices of these officers.

Also excluded from the SWCAP Section I indirect costs are any occupancy and maintenance type costs as described in 34 CFR section 76.568. However, because these costs are allocated and not incurred at the departmental level, they do not require reclassification to the “other expenditure” denominator.

Fixed costs are contributions to fringe benefits and similar costs associated with salaries and wages that are charged as indirect costs, including retirement, social security, pension, unemployment compensation, and insurance costs.

Other expenditures are the grantee’s total expenditures for its federally and non- federally funded activities, including directly charged occupancy and space maintenance costs (as defined in 34 CFR section 76.568), and the costs related to the chief executive officer of the grantee or any component of the grantee and its offices. Excluded are general management costs, fixed costs, subgrants, capital outlays, debt service, fines and penalties, contingencies, and election expenses (except for elections required by federal statute).

Occupancy and space maintenance costs associated with functions that are not organization-wide must be included with other expenditures in the indirect cost formula. These costs may be charged directly to affected programs only to the extent that statutory supplanting prohibitions are not violated. This reimbursement must be approved in advance by ED. Specific occupancy and space maintenance costs may be charged directly only to programs affected by the restricted rate calculation if charging for such costs is approved in advance by ED (34 CFR section 76.568(c)).

Indirect costs charged to a grant are determined by applying the RICR to total direct costs of the grant minus capital outlays, subgrants, and other distorting or unallowable items as specified in the grantee’s indirect cost rate agreement.

The other ED programs (those not having a statutory non-supplant requirement) that allow indirect costs do not require a restricted rate and should follow the cost principles in 2 CFR Part 200, Subpart E (34 CFR sections 76.560 and 76.563-76.569).

1. *Unallowable Direct Costs to Programs*

Officials from ED have noted that some entities have charged costs in the following areas which were determined to be unallowable as specified in the indicated references. Auditors should be alert that if any such costs are charged, charges must be consistent with provisions of 2 CFR Part 200, Subpart E or as applicable.

* 1. Separation leave costs (2 CFR section 200.431(b)).
  2. Severance costs (2 CFR section 200.431(i)).
  3. Post-retirement health benefit (PRHB) costs (2 CFR section 200.431(h)).

1. *Unallowable Costs to Programs (Direct or Indirect)*

Officials from ED have noted that, in cases where grantees rent or lease buildings or equipment from an affiliate organization, the costs associated with the lease or rental agreement can be excessive. The auditor should be alert to the fact that the measure of allowability in such “less-than-arms-length-relationships” is not fair market value, but rather the “costs of ownership” standard as referenced in 2 CFR section 200.465(c).

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

***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.**

The October 2020 ODE Memo “[Perkins Regulations: Allowable Uses of Funds”](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Career-Technical-Funding/Guidelines-for-Compliance-with-Perkins-V-Regulations.pdf.aspx?lang=en-US) details allowable uses of funds.

*(Source: Ohio Department of Education)*

ODE uses a CCIP functionality designed to verify that there is a correct approved restricted indirect cost rate during the budget process. When an original budget (Rev 0) or a budget revision is done, a budget error message will appear if the district’s budget for indirect costs under object code 800 – function indirect cost, without an approved indirect cost rate, or if the budgeted indirect costs exceed the approved rate. Due to timing, the previous years approved indirect cost rate may be loaded as a placeholder to allow grantees to budget at the beginning of the fiscal year. Once the current years indirect cost rate is approved, an update is made in the system to load the current years approved rate and grantees adjust the budgeted amount when they submit their next budget revision.

*(Source: ODE CCIP Note #331 -* <https://ccip.ode.state.oh.us/documentlibrary/ViewDocument.aspx?DocumentKey=79206>*)*

**Time and Effort**

Federal regulation requires that all employees who are paid with federal funds, in full or in part, retain specific documentation to demonstrate the amount of time personnel spent on grant activities (Time and Effort records).

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 10)*

Under 2 CFR 200.430 Time and Effort is principles based and requires written policies establishing Time and Effort documentation and procedures. ODE approved a substitute system of time-and-effort reporting in their memo dated 3/17/2014: [2014-002-ODE-Time-and-Effort-Guidance-03-17-14](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/2014-002-Time-and-Effort-Guidance.pdf.aspx?lang=en-US). This policy was revised in June 2016.

For the most updated grants guidance, please visit the Grants Administration webpage. [Grants Administration | Ohio Department of Education](https://education.ohio.gov/Topics/Finance-and-Funding/Grants-Administration)

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 21-22*)

### 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**

***US Department of Education Crosscutting Information***

*ESEA programs in this Supplement to which this section applies are: CSP (84.282); 21st CCLC (84.287); and Title IV, Part A (84.424).*

*This section also applies to Adult Education (84.002); TRIO Cluster (84.042, 84.044, 84.047, 84.066, and 84.217); CTE (84.048); Vocational Rehabilitation (84.126); and IDEA, Part C (84.181).*

Note: This section applies only to ED programs in which the entity being audited is a grantee (i.e., the entity receives grant funds directly from ED). Auditors should refer to Part 3, Section C, “Cash Management,” for any ED program in which the entity is being audited is a subrecipient (i.e., federal funds are received through a pass-through grant from a grantee).

Grantees draw funds via the G5 System. Grantees request funds by (1) creating a payment request using the G5 System through the Internet; (2) calling the Payee Hotline; or (3) if the grantee is placed on the reimbursement or cash monitoring payment method, submitting a Form 270, Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (*HCM2*), (*OMB No. 1845-0089*), to an ED program or regional office.

When creating a payment request in G5, the grantee enters the drawdown amounts, by award, directly into G5. Grantees can redistribute drawn amounts between grant awards by making adjustments in G5 to reflect actual disbursements for each award, as long as the net amount of the adjustments is zero. When requesting funds using the other two methods, grantees provide drawdown information to the hotline operator or on the Form 270, as applicable.

To assist grantees in reconciling their internal accounting records with the G5 System, using their DUNS (Data Universal Numbering System) number, grantees can obtain a G5 External Award Activity Report (<https://www.g5.gov/>) showing cumulative and detail information for each award. The External Award Activity Report can be created with date parameters (Start and End Dates) and viewed on-line. To view each draw per award, the G5 user may click on the award number to view a display of individual draws for that award.

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### 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.**

**State of Ohio**

Advances should only be requested to cover expenses that are ready to be paid. Advances can be requested to cover payroll expenses and invoices that have been received and will be paid within five business days of receiving grant funds. Advances should not be requested for encumbrances in which services and invoices have not been received unless you are certain that you will receive and pay the invoice within these established guidelines.

As disclosed in ODE’s [May 2023 Newsletter](https://education.ohio.gov/Topics/Finance-and-Funding/Finance-Data-and-Information/Treasurers-Newsletter/May-2023/May-Newsletter), due to ODE year-end closing procedures, PCRs submitted after June 13, 2023 at 5pm were not processed until the system was back online, July 1st. Prior to shut down, ODE allowed Districts to draw down funds to cover allowable expenses already incurred as well as advance funds to cover expenses to be paid June 1 through July 14, 2023. All requested funds to cover obligations during the shutdown were required to be spent as indicated on the PCR and the 5-day liquidation period was waived.

[Treasurer's Newsletters | Ohio Department of Education](https://education.ohio.gov/Topics/Finance-and-Funding/Finance-Data-and-Information/Treasurers-Newsletter)

*(Source: ODE Office of Grants Management)*

**Project Cash Request Assurances**

Cash management requirements are a part of every cash request. The treasurer/fiscal representative attests to the following assurances (sample below) each time a project cash request is submitted in the CCIP. You can find a link to the assurance on each PCR sections page.

1. As required by the Cash Management Improvement Act (codified as 31 CFR part 205 and 2 CFR 200), cash advances are limited to the immediate cash needs of the requesting entity. By submitting this cash request, the entity certifies that this request is in compliance with the Cash Management Improvement Act and 2 CFR 200 and advance funds will be disbursed within five business days of receipt.
2. For cash requests submitted in July, August or September from a previous year grant, the entity certifies that the underlying obligations were made prior to June 30.
3. By submitting this cash request, the entity certifies that the obligations incurred under this project, for which funds are requested, were made within the period of availability outlined in the grant agreement.
4. Multiple advance requests may be submitted as long as the funds received are disbursed within five business days of receipt. Organization can request advance plus any applicable negative balance.
5. Advance payments must be as close as is administratively feasible to the actual disbursements. Advances must be pro-rated to meet immediate cash needs and advance funds must be disbursed within five business days of receipt.
6. By submitting this cash request, the LEA acknowledges and agrees to the terms and conditions set forth in the grant assurances.

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 18)*

See the Grants Administration [webpage](https://education.ohio.gov/Topics/Finance-and-Funding/Grants-Administration)for additional guidance on PCR’s transferred funds and cash management.

### 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.  **Additional ODE Pass-Through Step**: If necessary, budget revisions (by object level codes) were approved by ODE prior to incurring costs in excess of originally approved budget amounts ([2015-005-Budget-Revision-Requirement-Guidance](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/2015-005-Budget-Revision-Requirement-Guidance.pdf.aspx?lang=en-US)).  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.* |

## G. MATCHING, LEVEL OF EFFORT, EARMARKING

### OMB Compliance Requirements

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

However, for matching, 2 CFR 200.306 provides detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

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

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

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

- Are allowed under 2 CFR Part 200, Subpart E (Cost Principles);

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

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

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

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

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

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

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

**Source of Governing Requirements**

The requirements for matching are contained in 2 CFR 200.306, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

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

**Part 4 OMB Program Specific Requirements**

***US Department of Education Program Specific Information***

**1. Matching** –*Not Applicable to LEAs*

**2. Level of Effort**

**2.1 Level of Effort** – *Maintenance of Effort* – *Not Applicable to LEAs*

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

a. The state and its subrecipients may use funds for career and technical education activities that supplement, and not supplant, non-federal funds expended to carry out career and technical education activities (Section 211(a)of Perkins V (20 USC 2391(a))). The examples of instances where supplanting is presumed to have occurred as described in the ED Cross-Cutting Section also apply to Perkins V.

b. Notwithstanding the above paragraph, funds made available under Perkins V may be used to pay for the costs of career and technical education services required in an individualized education plan (IEP) developed pursuant to Section 614(d) of the Individuals with Disabilities Education Act (IDEA) and services necessary to meet the requirements of Section 504 of the Rehabilitation Act of 1973 with respect to ensuring equal access to career and technical education (Section 224(c) of Perkins V (20 USC 2414(c))).

**3. Earmarking**

a. States – *Not Applicable to LEAs*

b. Subrecipients – Subrecipients under the secondary and postsecondary career and technical education programs may use no more than 5 percent of those funds for administrative costs (Section 135(d) of Perkins V (20 USC 2355(d))).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Education, #84.048 Career and Technical Education – Basic Grants to States (Perkins V))*

***US Department of Education Crosscutting Information***

**1. Matching** – *Not Applicable to LEAs*

**2. Level of Effort**

***2.1 Level of Effort*** *– Maintenance of Effort* – *Not Applicable to LEAs*

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

*MEP (84.011); CTE (84.048); Title III, Part A (84.365); Title II, Part A (84.367); and Title IV, Part A (84.424).*

*General* – An SEA and LEA may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from nonfederal sources for the education of participating students. In no case may an LEA use federal program funds to supplant funds from nonfederal sources (MEP, Section 1304(c)(2) of ESEA (20 USC 6394(c)(2)); Title III, Part A, Section 3115(g) (20 USC 6825(g)) (see additional information below); Title II, Part A, Section 2301 of ESEA (20 USC 6691)); and Title IV, Part A, Section 4110 (20 USC 7120)).

In the following instances, it is presumed that supplanting has occurred:

* 1. The SEA or LEA used federal funds to provide services that the SEA or LEA was required to make available under other federal, state, or local laws.
  2. The SEA or LEA used federal funds to provide services that the SEA or LEA provided with nonfederal funds (or for Title III, Part A, other federal funds, as noted below) in the prior year.
  3. The SEA or LEA used MEP funds to provide services for participating children that the SEA or LEA provided with nonfederal funds for nonparticipating children.

These presumptions are rebuttable if the SEA or LEA can demonstrate that it would not have provided the services in question with nonfederal funds had the federal funds not been available.

*MEP* – An SEA and LEA may exclude from determinations of compliance with the supplement not supplant requirement supplemental state or local funds spent in any school attendance area or school for programs that meet the intent and purposes of the MEP, as identified in Title I of ESEA (sections 1118(d) and 1304(c)(2) of ESEA (20 USC 6321(d) and 6394(c)(2)); 34 CFR section 200.88).

Title I, Part C funds may only be used to address the needs of migratory children that are not addressed by services available from other **federal or nonfederal programs** (Section 1306(b)(2) of ESEA). Title III, Part A – An SEA or LEA may only use funds under Title III, Part A to supplement the level of federal, state and local public funds that, in the absence of the Title III funds, would have been provided for programs for English learners and immigrant children and youth (Section 3115(g) of ESEA (20 USC 6825(g))).

**3. Earmarking**

1. Administration – *Not Applicable to AL #84.048*
2. Transferability - *Not Applicable to AL #84.048*

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### Additional Program Specific Information

***Framework for Testing Supplement, Not Supplant, for School Treasurers***

*If Federal funds are used to pay a School Treasurer, refer to the Suggested Audit Procedures below for a framework for testing supplement, not supplant, requirements for Treasurer pay.*

**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.**

***Supplement Not Supplant***

It is important to remember that Perkins funds are used to supplement, not supplant state and local funds for CTE activities. See October 2020 ODE Memo [“Perkins Regulations: Allowable Uses of Funds”](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Career-Technical-Funding/Guidelines-for-Compliance-with-Perkins-V-Regulations.pdf.aspx?lang=en-US) for detailed use of funds.

*(Source: Ohio Department of Education)*

Federal funds shall be used to supplement, and not supplant, non-federal funds that would otherwise be used for authorized activities under certain ESEA programs including, but not limited to, Title I-A, Title I-C, Title II-A, Title III, Title VI-B Rural and IDEA-B. These funds shall be used to supplement, and not supplant, any other federal, state or local education funds. In general, federal funds must enhance, add to and supplement services and programs that are offered with state and local funds; federal funds may not be used to replace any services and programs that were offered, or would otherwise be offered, using state and local funds.

USDOE guidance on Supplement, Not Supplant is available [here](https://www2.ed.gov/policy/elsec/leg/essa/snsfinalguidance06192019.pdf).

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 10)*

1. **Supplement, Not Supplant (SNS)**

**Titles Other than Title I, Part A Requiring SNS**: For all other titles that require SNS, the compliance test is the same as before ESSA. In other words, when determining if supplanting has or has not occurred, it will depend on the individual facts and circumstances of each situation. Generally, the compliance test relies on three presumptions of supplanting:

1. Were the federal funds used to provide services required under other federal, state or local laws?
2. Were the federal funds used to provide services provided with nonfederal funds in the prior year?
3. Were the federal funds used to provide services to eligible students while those same services were provided to non-eligible students with nonfederal funds?

This assessment, in turn, will depend upon a review of the available State agency or district records. There is no precise formula for determining what kinds of records will overcome a presumption of supplanting, or otherwise demonstrate that Federal funds were used in a supplemental manner. However, there are some procedures which can be performed to help determine whether supplanting may have occurred.

In particular, a school district that believes it could not maintain services previously paid with State or local funds had Federal program funds not been available should:

1. Be able to demonstrate a decrease of State and local funds from the prior year and the maintenance or increase in standard operating costs (e.g., salaries, benefits, supplies, etc.) from the prior year;

OR

2. Be able to demonstrate that –

* Any increase in State and local funds is less than increases on the standard operating costs; AND
* State and local funds have not been redirected to a new activity.

AND be able to document that –

* The Board of Education is on record as deciding to eliminate the activity under question unless a new source of funds is made available from non-State and non-local funds (in the absence of State and local funds); AND
* The activities to be funded under a particular Federal program are clearly consistent with the purposes of that program.

*(Sources: Ohio Department of Education Office of Federal and State Grants Management,* [*https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=1043*](https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=1043)*)*

A presumption of supplanting exists in situations where a treasurer is awarded a supplemental contract to manage Federal and state funds within a school district. Additionally, this same prohibition is present for direct charges to a Federal grant for a portion of the treasurer’s salary.

*(Source:*[*https://ccip.ode.state.oh.us/documentlibrary/ViewDocument.aspx?DocumentKey=1039*](https://ccip.ode.state.oh.us/documentlibrary/ViewDocument.aspx?DocumentKey=1039) *)*

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

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

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

**Control Documentation and Testing**

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

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.  *(Source: 2023 OMB Compliance Supplement Part 3)*  *Steps Added by AOS CFAE*  **1.** **Matching** – *Not Applicable*  **2. Level of Effort**  **2.1** **Level of Effort** – *Maintenance of Effort* – *Not Applicable*  **2.2** **Level of Effort** – *Supplement Not Supplant*  **Additional ODE Pass-Through Steps**  **Non-Title I Expenditures**  a. Ascertain if the non-Federal entity used Federal funds to provide services which they were required to make available under Federal, State, or local law and were also made available by funds subject to a supplement not supplant requirement.  b. Ascertain if the non-Federal entity used Federal funds to provide services which were provided with non-Federal funds in the prior year.  (1) Identify the federally funded services.  (2) Perform procedures to determine whether the Federal program funded services that were previously provided with non-Federal funds.  (3) Perform procedures to ascertain if the total level of services applicable to the requirement increased in proportion to the level of Federal contribution.  c. If there is a presumption of supplanting for a transaction, evaluate the supporting documentation for rebutting the presumption.  *Framework for Testing Supplement, Not Supplant, for School Treasurers*   1. *Determine the source of the funds for the payment & any restrictions on the use of the funds (i.e., grant term states that monies must be used exclusively on school supplies or teaching staff).*    1. *Was the source of the payment federal funds?*       1. *If no, no need to consider SNS compliance, proceed to 1.b. consideration of proper use of funds under state law or any other restrictions on the use of funds*       2. *If yes, proceed to 1.c.*    2. *Is the expenditure permissible based on any state restrictions or any other restrictions on the use of funds (i.e., state monies must be used to provide instruction only and cannot be used for staff compensation)?*       1. *If no, then follow normal AOS procedures for unallowable expenditures. There is no reason to consider federal supplanting or other state laws, stop testing here.*       2. *If yes, then skip to Step 4.*    3. *Is the payment permissible based on any federal restrictions on the use of funds (i.e., grant term states that monies must be used exclusively on school supplies or teaching staff)?*       1. *If no, then follow normal AOS procedures for unallowable expenditures. There is no reason to consider federal supplanting or other state laws, stop testing here.*       2. *If yes, then move to Step 2.* 2. *Is this an Elementary and Secondary Education Act of 1965 program?*    1. *If no, is the supplanting prohibition applicable? Note: Supplanting was not applicable to ESSER funds.*       1. *If yes, then the prohibition is explicitly applicable to the program. Move to Step 3.*       2. *If no, then skip to Step 4.*    2. *If yes, is the source of the payment a Title I, Part A program?*       1. *If no, then move to Step 3.*       2. *If yes, does the district have any one of the following: (1) only one school building (OR) (2) only Title I schools (OR) (3) a grade span that contains only a single school, non-Title I schools, or Title I schools (no methodology required for this grade span) (OR) (4) a program that meets the intent and purpose of Title I, Part A (no methodology required for this program).*          1. *If yes, then no allocation methodology is required. Move to Step 4.*          2. *If no, is the LEA’s methodology for allocating non-federal resources Title I neutral? (i.e., based on estimated costs of staffing and supplies and NOT Title I status)*             1. *If no, there is a failure to comply with SNS Compliance. Report SNS Noncompliance. Stop testing here.*             2. *If yes, then satisfied SNS Compliance. Move to Step 4.* 3. *Does the LEA answer “yes,” to any of the following questions: (1) Was the activity supported with Title I, Part A funds required by State or local law?; (2) Was the activity supported with Title I, Part A funds supported in a prior year with State or local funds?; (3) Was the activity supported with Title I, Part A funds in a Title I school supported with State or local funds in a non-Title I school?*   *Note: The answer for School Treasurer compensation will be yes to Question 1, unless R.C. sections 3313.29 and 3313.31 change in the future.*   * 1. *If yes, can the LEA demonstrate that it would not have been able to provide the services/activity in question with non-Federal funds had the Federal funds not been available?*      1. *If no, then report SNS Noncompliance. Stop testing here.*      2. *If yes, then there has been SNS Compliance. Move to Step 4.*   2. *If no, then move to Step 4.*  1. *Is the payment a part of the original contract(s) that was entered when the school district acted pursuant to R.C. 3313.24(A) (i.e, when the district board set the compensation for the treasurer)?*    1. *If yes, was the payment made directly from the general fund or other fund(s)?*       1. *General Fund, this is permissible. Testing stops here.*       2. *Other Fund(s), consult with CFAE via FACCR Inbox (IPA) or Spiceworks (AOS Auditors) for further information regarding the method for reimbursing the general fund for any allowable portions.*    2. *If no, then the payment is an increase in the compensation under the original contract(s)/resolution setting the compensation amount and is permissible pursuant to 3313.24(B). Was the payment made directly from the general fund or other fund(s)?*       1. *General Fund, this is permissible. Testing stops here.*       2. *Other Fund(s), this is permissible so long as the moneys in the fund could be used for that purpose and it comports with accounting guidance from AOS. Testing stops here.*   **3. Earmarking**  a. Identify the applicable percentage or dollar requirements for earmarking.  b. Perform procedures to verify that the amounts recorded in the financial records met the requirements (e.g., when a minimum amount is required to be spent for a specified type of service, perform procedures to verify that the financial records show that at least the minimum amount for this type of service was charged to the program; or, when the amount spent on a specified type of service may not exceed a maximum amount, perform procedures to verify that the financial records show no more than this maximum amount for the specified type of service was charged to the program).  c. When earmarking requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.  d. When the earmarking requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account (e.g., if only 10 percent may be spent for administrative costs, review accounts for other than administrative costs to identify administrative costs which were improperly classified elsewhere and cause the maximum percentage or amount to be exceeded).  e. When earmarking requirements prescribe the minimum number or percentage of specified types of participants that can be served, select a sample of participants that are counted toward meeting the minimum requirement and perform tests to verify that they were properly classified.  f. When earmarking requirements prescribe the maximum number or percentage of specified types of participants that can be served, select a sample of other participants and perform tests to verify that they were not of the specified type. |

### Audit Implications Summary

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| *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**

***US Department of Education Crosscutting Information***

*ESEA program in the Supplement to which this section applies are MEP (84.011); Title III, Part A (84.365); and Title IV, Part A (84.424).*

*This section also applies to Adult Education (84.002); IDEA (84.027and 84.173); CTE (84.048); and IDEA, Part C (84.181).*

*All ESEA and other programs as identified in the program documents except subrecipients under Career Technical Education (CTE)* – LEAs and SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year 2019 appropriation initially became available on July 1, 2019; and may be obligated by the grantee and subgrantee through September 30, 2021 (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.703 through 76.710). See note about invited waiver that pertains to this requirement under “Waivers and Expanded Flexibility.”

*CTE Program* – In any academic year that a subrecipient does not obligate all of the amounts it is allocated under the Secondary and Postsecondary CTE programs for that year, it must return the unobligated amounts to the state to be reallocated under the Secondary and Postsecondary CTE programs, as applicable (Section 133(b) of the Carl D. Perkins Career and Technical Education Act of 2006 as amended by the Strengthening Career and Technical Education Act for the 21st Century Act (Perkins V) ((20 USC 2301 et seq., as amended by Pub. L. No. 115-224) (20 USC 2353(b))).

*Consolidated Administrative Funds* – Under those ESEA programs that allow for the consolidation of administrative funds, such funds must be obligated within the period of availability of the program that the funds came from. Because expenditures in a consolidated administrative fund are not accounted for by specific federal programs, an SEA or LEA may use a first-in, first-out method for determining when funds were obligated, may attribute costs in proportion to the dollars provided, or may use another reasonable method.

*Definition of Obligation* – An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for (34 CFR section 76.707):

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| **IF AN OBLIGATION IS FOR –** | **THE OBLIGATION IS MADE –** |
| (a) Acquisition of real or personal property. | On the date on which the state or subgrantee makes  a binding written commitment to acquire the property. |
| (b) Personal services by an employee of the state or subgrantee | When the services are performed. |
| (c) Personal services by a contractor who is not an employee of the state or subgrantee. | On the date on which the state or subgrantee makes a binding written commitment to obtain the  services. |
| (d) Performance of work other than personal services. | On the date on which the state or subgrantee makes a binding written commitment to obtain the work. |
| (e) Public utility services. | When the state or subgrantee receives the services. |
| (f) Travel. | When the travel is taken. |
| (g) Rental of real or personal property. | When the state or subgrantee uses the property. |
| (h) A pre-award cost that was properly approved by the state under the cost principles | On the first day of the subgrant period. |

The act of an SEA or other grantee awarding federal funds to an LEA or other eligible entity within a state does not constitute an obligation for the purposes of this compliance requirement. An SEA or other grantee may not reallocate grant funds from one subrecipient to another after the period of availability ends.

If a grantee or subgrantee uses a different accounting system or accounting principles from one year to the next, it shall demonstrate that the system or principle was not improperly changed to avoid returning funds that were not timely obligated. A grantee or subgrantee may not make accounting adjustments after the period of availability ends in an attempt to offset audit disallowances. The disallowed costs must be refunded.

*(Source: 2023 OMB Compliance Supplement Department of Education Crosscutting Procedures)*

### 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.**

Federal and state awards specify a period of time during which the grantee may use the federal or state funds. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations incurred and liquidated (paid) during the funding period or period of availability. The period of availability begins on the grantees Substantially Approved Date. For most grants, the period of availability ends June 30th of the grant award year. This is the last day a district may obligate funds. A grantee must liquidate (pay) all obligations incurred during the period of availability not later than 90 days after the end of the funding period

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 9)*

Obligations must be made from the application substantially approved date through June 30.

In most cases, goods and services should be received by June 30 which is the end of the grant period and liquidated by September 30. See [2015-001-Factors-Affecting-Allowability-of-Costs.pdf.aspx (ohio.gov)](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/2015-001-Factors-Affecting-Allowability-of-Costs.pdf.aspx?lang=en-US) guidance.

*(Source:* [*ODE Grants Manual*](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US)*, Page 6)*

Programs included in ODE’s Funding Application (FA) have a project period starting with the application's original (Revision 0) substantially approved date (SAD) through June 30. The original SAD is normally the date the application is submitted to ODE in substantially approvable form. Any changes to these dates are expected to be noted in the history log by the program office. Carryover to the subsequent school district fiscal year must be approved by ODE and moves forward once the FER is approved by the Office of Grants Management. Budget revisions contain an effective date which coincides with the date the revision request was submitted to ODE. Activities may not commence from that budget revision prior to the substantially approved date.

Obligations must be liquidated by September 30. See additional guidance under [Final Expenditure Reports](https://education.ohio.gov/Topics/Federal-Programs/Financial-Compliance-Information-1/Expenditures-Information).

Goods and services must also be received by the end of the obligation period as well. ODE requires this to keep LEA’s from pre-paying obligations that may occur significant periods in advance. See ODE guidance Factors Affecting Allowability of Costs in the [Grants Manual](https://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Grants-Administration/Managing-Your-Grant/Managing-Your-Grant.pdf.aspx?lang=en-US).

Upon request by the district, ODE may extend the period of performance for summer programs to cover teacher salaries and other costs occurring in the summer months after the state fiscal year has closed but during the federal fiscal year ending on September 30. This request must be documented within CCIP. This action does not extend the FER due date to ODE.

*(Source: Ohio Department of Education Office of Federal and State Grants Management)*

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

## 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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