

IPA Resources
Community Based Correctional Facility (CBCF) Audit Program
Specimen Substantive Tests
(April 2020)

Step Name/Procedure Name: Program Notes/Guidance (April 2020 – Reviewed and removed track changes)

Audit Procedure: This information was previously included in the Notes/Guidance tab of the Audit program.

You can obtain the Grant Manual for FY18/FY19 that is referenced throughout these procedures at this link:

[FY18/FY19 CBCF Grant Manual](#)

SPECIMEN SUBSTANTIVE AUDIT PROGRAM

These steps are to be done in conjunction with the Specimen Audit Programs.

AU-C 300.A22 requires using a written audit program (i.e. audit plan) on every engagement. Using the program will satisfy that requirement. This program includes procedures suitable for Community Based Correctional Facilities. Nevertheless, it may be necessary to tailor this program to meet the needs of a particular CBCF, depending on differing receipt sources and whether or not a county auditor serves as fiscal agent, how they account for offender funds, where accounting records and documentation is maintained, etc. Significant judgment is required.

In lieu of a separate compliance supplement, this program incorporates applicable compliance steps in the related program section. Some compliance requirements directly and materially affect the determination of financial statement amounts, such as computing the refund payable at the end of each fiscal year. Auditors should report noncompliance with such requirements in the GAGAS compliance report, if material.

These programs include compliance from the FY18/FY19 Community-Based Correctional Facility Grant Manual.

Record of Work Done:

Conclusion:

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Community Based Correctional Facility (CBCF) Audit Program
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Step Name/Procedure Name: Planning / Risk Assessment / Determining Audit Strategy (April 2020 – Reviewed and removed track changes)

Audit Procedure: Updated for FY18/FY19 Grant Manual

You can obtain the Grant Manual for FY18/FY19 that is referenced throughout these procedures at this link: [FY18/FY19 CBCF Grant Manual](#)

Planning / Risk Assessment / Determining Audit Strategy

1. Gain a general understanding of the client and its operations

All the items noted in step 1 of the planning specimen audit program may not exist. You should obtain and review comparable available information.

2. Single Audit considerations

It is unlikely any CBCFs would be subject to a Single audit, since the threshold is \$750,000 in annual Federal disbursements. Nevertheless, auditors should inquire regarding the level of Federal funding and should document whether any grant receipts represent direct or pass through Federal money.

Note that 501 money is a State general fund (i.e., non Federal) source.

Also, you must determine who the grantee is: The CBCF or one or more counties. If the grantee is the County, you should determine if the Federal disbursements belong on a county's federal awards schedule or the CBCF, or both, if passed through to the CBCF.

3. Consider the effect of service organizations on our engagement strategy

We consider a county auditor processing accounting transactions for CBCF 501 and grant funds to be a service organization. However, we do not require an AU-C 402 / SSAE / SOC 1 (AT-C [320](#)) report, since these transactions were subject to the county's financial audit. Instead of obtaining an AU-C 402 / SSAE / SOC 1 (AT-C [320](#)) report, you should review the county's most recent GAGAS compliance and controls report and determine if any control deficiencies would affect the accounting the county provides to the CBCF. Document this review in the w/p.

Record of Work Done:

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Step Name/Procedure Name: Other General Procedures / Finalizing the Audit (April 2020 – Reviewed and removed track changes)

Audit Procedure:

1. Trial Balance

- a. RC 2301.56(D)(2) requires CBCF's to submit an annual report to the AOS.

The Community-Based Correctional Facility Grant Manual and Application for, FY18/FY19 Section II A requires:

- Every political subdivision, private or non-profit entity receiving grant funds from the Department of Rehabilitation and Correction must apply the same accounting treatment to 501 grant subsidies as it applies to other grant revenue/receipts and expenditures / disbursements. No local policy shall supersede the grant guidelines.
- Expenditures of grant funds must be clearly documented and solely dedicated to CBCF activities. For each grant agreement, separate financial records must be maintained and Quarterly Financial Reports must be filed with the Bureau of Community Sanctions (BCS) to account for grant expenditures.

(CBCF may report budget-basis expenditure on an accrual basis or an encumbrance basis)

2. Trial Balances (AT)

- a. The Trial Balance procedures in Step D of the Financial Statements - Other audit program, are as follows:

Trace individual account balances on the trial balances to the underlying accounting records. Determine the appropriateness and consistency of account and fund groupings with prior year(s).

- For both cash and GAAP entities, this usually requires agreeing the trial balance amounts to the cash-basis accounting system account balance summaries of each account for every fund (e.g., fund cash receipt and disbursement journals or "ledgers").
 - i. For example, we might test that check register totals agree to the funds' journal totals; or that payroll register totals agree to total the funds' payroll disbursements recorded in the journal totals.
 - ii. The extent of testing requires judgment, but would normally require testing some accounts and especially beginning and ending balances for each fund.
 - iii. The extent of this testing can be significantly limited when the trial balance is automated and online with cash receipt and disbursement ledgers, and we have successfully tested controls in the computer environment.
- For CBCFs, this step may require agreeing reports from two accounting systems: (1) The reports for offender funds the CBCF maintains; and (2) the intergovernmental receipts/disbursement reports the county auditor/fiscal agent maintains.

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Step Name/Procedure Name: Other General Procedures / Finalizing the Audit (April 2020) (continued)

2. Trial Balances (AT) (continued)

- b. Mandatory (AU-C 240) / Fraud procedure: When performing these procedures in the specimen audit programs, for CBCFs, examine material 6/30 and 12/31 entries (including encumbered amounts) for unusual items that may represent attempts to avoid refunding money to ODRC or other grantor agencies.
- c. Accounting Records: CBCFs must maintain accurate and legible accounting records to prepare financial reports. (FY18/FY19, Section II, G.1.) We can include this criterion for findings related to unposted records, unreconciled accounts or other conditions that could contribute to an unauditible condition.

3. Test for related party transactions (CmD, RD, AVD, OD, Cf)

(Keep this information in mind when performing the related party procedures in the specimen audit programs)

There may be an elevated risk of related party transactions (RPT) where a nonprofit entity is managing a CBCF, when that nonprofit has other “lines of business” or affiliates unrelated to managing the CBCF. Related party transactions are NOT automatically illegal or unethical. However GASB 62 requires disclosing material RPT since they represent transactions not made at arm’s length. We should evaluate materiality based on both the actual dollar amount paid and an estimate of the fair value of the transaction.

We would deem a transaction between a nonprofit managing a CBCF and the nonprofit’s affiliates to be an RPT. You should also disclose overhead amounts a management company charges to a CBCF in the RPT footnote, since the management company controls both sides of the transaction. It is fair that a management company recover indirect costs it incurs benefiting a CBCF through overhead charges. However, the methods used to compute overhead should be fair and reasonable. The concept is similar to indirect costs a government can charge to a Federal program under 2 CFR 225.

To identify material related-party transactions, consider the following procedures in addition to those in the specimen audit program:

If operated by a management company, scan CBCF disbursement records for amounts indicating overhead charges. Summarize and disclose in the notes, including the method the company uses to allocate overhead.

4. Review subsequent events

When performing the specimen program for interim financial statements, also review the reports noted in Step 1 above for subsequent events. (AU-C 560)

Record of Work Done:

Conclusion:

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Step Name/Procedure Name: Cash (April 2020 – Reviewed and removed track changes)

Audit Procedure: Cash

a. When completing cash related control procedures for this section, consider:

Where a fiscal agent holds cash and maintains accounting reports, read the latest audit report for the fiscal agent. Read the GAGAS compliance and controls report and management letter. Document whether any findings or control deficiencies affect the CBCF's controls safeguarding cash or ability to accurately report cash.

- Confirm cash held by the county auditor/fiscal agent (EB)

If a county auditor or other acts as fiscal agent, we need only obtain the fund cash balance report as of the date of the financial statements and agree those cash balances to the trial balance. (Our audit of the county should test the county auditor's reconciliations and controls sufficiently that we can rely on that report. As noted in the service organization section of this program, we should read the GAGAS report for the county and determine if any control deficiencies or material weaknesses affect our ability to rely on the county auditor's financial accounting system reports.)

As noted in step 3 of the Planning/Risk Assessment/Determination Audit Strategy program, we do not need an AU-C [402](#) / SSAE / SOC 1 (AT-C [320](#)) report (or alternative procedures per AU-C [402.12](#)) unless the fiscal agent was not subject to a financial audit.

- Compliance requirement:

Where a county acts as fiscal agent, CBCF cash balances must be reconciled with the county auditor records and non-profit entities monthly. (FY18/FY19 Section II G.5.1.)

- Each CBCF holds cash accounts for offender funds. Steps in the cash specimen audit programs do not apply to cash held by fiscal agents already audited, but do apply to all cash accounts the CBCF holds. Perform necessary steps in the program.

b. Other cash considerations (EB)

- If a CBCF commingles its cash in other accounts, such as a nonprofit commingling CBCF money in an account with cash from its other non-CBCF activities, disclose this fact in the notes to the statements.
- Also, inquire regarding the existence of other cash accounts the CBCF may have established, such as to accumulate cash for paying compensated absences upon employee terminations.

i. Disclose these accounts' beginning and ending balances and receipts and disbursements, and their purpose in the notes.

ii. Determine the method of funding these accounts and whether the formulas, etc. used to charge 501 or other funding sources is reasonable.

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Step Name/Procedure Name: Cash (April 2020) (continued)

Investments

This section would usually not apply to counties or other fiscal agents holding investments. That is, we do not need an AU-C [402.12](#) / SSAE / SOC 1 (AT-C [320](#)) report unless the fiscal agent was not subject to a financial audit. This section would apply to any investments the CBCF purchases and holds.

NOTE: The grant agreement between ODRC and the CBCF regarding 501 funds prohibits investing 501 funds. Consider whether a citation is warranted.

Compliance Requirement:

Interest earned on grant funds must be reported separately and returned to the State after the audit report is published by the Auditor of state. (FY18/FY19 Section II C.7).

Scan receipt ledgers and inquire regarding any interest earned. If interest was earned, determine whether the CBCF remitted it to the State.

Record of Work Done:

Conclusion:

Step Name/Procedure Name: Intergovernmental & Other Confirmable Receipts (April 2020 – Reviewed and removed track changes)

Audit Procedure: Updated for FY18/FY19 Grant Manual

Intergovernmental Receipts & Other Confirmable Cash Receipts (Including 501 "Appropriations")

Often, the county auditor or other fiscal agent will receive and record these amounts on behalf of the CBCF. As with cash and investments, we can rely on the fiscal agent's accounting system if it was subject to independent attestation (audit, etc.). (We still must confirm / verify amounts received to correspondence or confirmation from the grantor.) We do not need an AU-C [402](#) / SSAE / SOC 1 (AT-C [320](#)) report (or alternative procedures per AU-C 402.12) unless the fiscal agent was not subject to a financial audit.

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Intergovernmental Receipts & Other Confirmable Cash Receipts (Including 501 "Appropriations") (continued)

1. When completing the related control procedures for this section, consider:

Where a fiscal agent holds cash and maintains accounting reports, read the latest audit report for the fiscal agent. Read the GAGAS compliance and controls report and management letter. Document whether any findings or control deficiencies affect the CBCF's controls.

2. Confirm amounts received from ODRC.

a. OT, AT, CmT, Cf, Cut

- Agree amounts recorded as 501 receipts to the CBCF subsidy grant agreement approved by ODRC.
- Agree amounts recorded as 501 receipts to quarterly cash requests from the CBCF to ODRC.
- Compliance Test: Determine that 501 receipts were timely posted, were recorded in the proper accounting period and not commingled with other receipt sources (FY18/FY19, Section II C.1.)
- Scan postings to these revenue accounts in the fund cash receipts ledger. Investigate unusual entries.
- Review confirmation listing from ODRC available on the Intranet.

b. Confirm cash received from the ODRC in the following circumstances: (OT, AT, CmT, Cf, Cut)

We can often rely on amounts approved in the grant agreement without confirmation. However, we should consider confirming receipts from ODRC in the following circumstances:

- If we have reason to suspect the amounts on the grant agreement may have been altered.
- We detect differences between amounts recorded on the grant agreement and amounts recorded in the client's cash receipt records, or if we note inordinate delays between the date paid by ODRC and the date posted as a receipt without reasonable explanation by the client.
- If direct confirmation with ODRC is judged necessary, ask the CBCF to prepare a confirmation letter which identifies separately each type of revenue, the dates cash was received and amount of each receipt.
 - i. Retain a copy of the confirmation letter, and control mailing of the confirmation.
 - ii. Trace selected payments from the confirmation response to the CBCF's fund cash receipts ledger.
 - iii. Determine that receipts were allocated to the proper fund(s), were timely posted and were recorded in the proper accounting period.

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Intergovernmental Receipts & Other Confirmable Cash Receipts (Including 501 "Appropriations") (continued)

c. [CmT]

- Determine other sources of confirmable receipts – consider:

- i. CBCFs also receive a “commission” or rebate from telephone companies, commissaries or other sources. These may be confirmable, or we may be able to rely on transmittal notices from these vendors if we are reasonably assured of completeness (such as having 12 notices for amounts remitted monthly).

(Note: RC 2301.58(A) requires the director shall deposit in to the resident program fund all revenues received by the facility from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services.)

- 3. Compliance test:** All 501 income and expenditures must be supported with documentation to provide a clear audit trail for every financial transaction. (FY18/FY19, Section II G2)

- 4. If the CBCF received a “Dividend Check” from the County Risk Sharing Authority (CORSA),** the Ohio Department of Rehabilitation and Corrections (ODRC) has informed us these dividends are based on prior year premiums paid through their 501 grant funds which are entirely funded by ODRC. Normally these grant cycles are already closed out prior to receiving the dividend check and therefore the dividend check needs to be refunded back to the State of Ohio through ODRC. These dividend checks are based on excess equity in the CORSA self-insurance pool through which the CBCF has an insurance policy. Only a few CBCF’s are known to have received a dividend check. If a dividend check was received which was not refunded back to ODRC, consult with AOS CFAE to determine if the CBCF was not required to refund the amount.

Record of Work Done:

Conclusion:

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Step Name/Procedure Name: Cash Receipts & Disbursements from Offenders (April 2020 – Reviewed and removed track changes)

Audit Procedure: Updated December 2019 for GASB 84 changes

Cash Receipts & Disbursements from Offenders (including per diem funds)

These accounts are probably the most unique aspect of auditing CBCFs. We must gain an understanding of the requirements and the accounting methods / system the CBCF uses to manage these funds.

CBCFs should account for these funds very similarly to fiduciary funds. Offenders or family members deposit this money to be used as per the offender's direction or as required by regulation. Therefore, it is **critical** that each CBCF maintain subsidiary records, listing the receipts, disbursements and account balances for **each** offender. This section includes tests for both receipts and disbursements from these accounts, since the CBCF must post both the receipts and the disbursements to the individual offender's account. When the CBCF discharges the offender, he/she is entitled to a refund of their remaining balance, less any amounts owed to the CBCF.

We are also aware that some CBCFs permit offenders to charge amounts exceeding their individual cash balance. This effectively creates a receivable from the offender. If you encounter this, consider whether the accounting system accurately records and maintains record of the amount owed and whether the CBCF reasonably assures the amount is collected. Similar to deficit fund cash balances, a receivable from an offender means the CBCF is borrowing cash from other offender's accounts. Consider whether the CBCF monitors these receivables and assures the deficit is repaid. We believe the CBCF would be responsible for reimbursing offender accounts for any amounts not collected; otherwise the other offenders' individual cash balances will exceed the cash held in the account. Disclose any significant amounts owed in the footnotes. Consider reporting a control deficiency if the cash balance plus the receivable does not = individual account balances, or if the CBCF does not monitor or reimburse the account for amounts not collected from offenders.

1. When completing the related control procedures for this section, consider:

Where a fiscal agent holds cash and maintains accounting reports, read the latest audit report for the fiscal agent. Read the GAGAS compliance and controls report and management letter. Document whether any findings or control deficiencies affect the CBCF's controls.

2. (AT) Cash received – include when testing the over the counter cash receipts specimen audit program steps.

- a. When testing the summary of cash received, determine that the offenders' individual balances reconcile to the total cash held for offenders.
- b. Foot individual accounts; agree to the total held for all offenders.
- c. Agree totals per offender records to reconciled cash balances.

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Cash Receipts & Disbursements from Offenders (including per diem funds) (continued)

3. (OT) - Test receipts posted to the accounts (this will often be an AU-C 530 sampling application)

- a. Trace selected amounts from source documents, such as duplicate receipts, to posting to the individual offender's account balance.
- b. Sources of receipts can include deposits from offender's own cash, deposits from family members, paychecks (some offenders leave the facility during certain hours to work at outside jobs).

4. (OT) - Evaluate noncash adjustments. Note: Significant unsupported noncash adjustments are a fraud risk we must assess under AU-C 240.

- a. Read summaries of noncash adjustments posted during the year. If total noncash adjustments are summarized by the system and amounts are insignificant, the following procedures are not required. You should perform the following if
 - (1) the system does not summarize noncash adjustments,
 - (2) if amounts are significant, or
 - (3) if we are aware these adjustments are not well controlled or if related fraud risk factors exist:
- b. Inquire regarding the entity's policy for approving noncash adjustments to accounts. Determine if such adjustments require approval of someone independent of the billing function.
- c. Select large noncash adjustments. Evaluate the validity of the adjustments, and whether they were properly approved.

5. (AT, OT) - Test disbursements recorded against offender accounts (this will often be an AU-C 530 sampling application, *in addition to the sample selected for offender receipts*).

- a. Agree selected checks drawn against offender accounts to the subsidiary posting.
- b. Agree the amount, payee and date from the check to the entry in the subsidiary records.
- c. Determine whether the offender authorized the disbursement. (Disbursements listed in step d do not require offender authorization.)
- d. Other disbursements the CBCF can charge to offender accounts include per diem charges,* court costs, restitution, commissary charges, medical costs.
- e. Assure the sample includes offenders discharged during the year. Determine that they were paid the residual balance in their account. (Their balance should = zero after they are discharged.)

* Per diem charges are costs the CBCF charges to defray the cost of housing offenders. You should determine whether the facility governing board approved the per diem rates.

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Cash Receipts & Disbursements from Offenders (including per diem funds) (continued)

6. Compliance requirements

- a. *Supervision Fees* are fees imposed by a court requiring an offender who is under the control and supervision of a probation agency, to pay a monthly supervision fee of not more than fifty dollars as a condition of community control authorized by ORC 2951.021 and utilized in accordance with ORC 321.44 and ORC 737.41. (FY18/FY19, Section II C.2.)

(Note: It is unlikely CBCFs would collect supervision fees. This language was added to the grant manuals to inform CBCFs of the law and that they must adhere to the ORC).

- b. All offender fees collected for specific grant-related activities must be collected at actual cost and reimbursed to the appropriate cost category as the expenditure (i.e. medical fees, drug testing, and electronic monitoring). Revenue cannot be generated from offender fees collected. (FY18/FY19, Section II C.5.)

This means the CBCF can charge offenders for certain costs such as medical, etc. The CBCF cannot charge the offender more than the CBCF's actual cost paid for the good or service. The CBCF would record these transactions as:

- 1) A disbursement from its 501 funds.
- 2) A reimbursement payment from offender funds
- 3) A reimbursement receipt to its 501 funds. (Do not report these reimbursements as negative disbursements.)

To test this:

- (1) *Select 10 reimbursements.*
- (2) *Compare the amount charged to the offender to the amount the CBCF paid for the good or service as supported by invoices, etc.*
- (3) *Determine the transaction was recorded using the three entries described above.*

- c. Per 2301.57, 2301.571 and RC 2929.38, a facility governing board may establish a policy requiring any person who is not indigent to pay a reception fee or a fee for any medical treatment or service requested by and provided to that offender.

NOTE: Revenues generated from reception fee, medical treatment or costs of confinement must adhere to ORC 2301.56, 2301.58, 2929.37 and 2929.38. (FY18/FY19, Section II C.3)

To test this:

- (1) *Determine if the Board has established a policy.*
- (2) *When testing **payments** from offender accounts, determine if they were charged for medical treatment or service requested by that offender.*

- d. Commissary Funds, per ORC 2301.58, and FY18/FY19 Grant Manual Section II C.4.

Revenues generated from commissary activities, commissions on telephone systems, reimbursable costs such as per diem and medical services and similar services must adhere to ORC 2301.58, as copied below. (FY18/FY19, Section II, C.4.) If these revenues are material, apply these procedures.)

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Cash Receipts & Disbursements from Offenders (including per diem funds) (continued)

ORC 2301.58 Resident program fund – commissary:

- (A) Upon approval of the facility governing board, the director of the community-based correctional facility or district community-based correctional facility may establish a resident program fund. The director shall deposit in the fund all revenues received by the facility from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services. The money in the fund shall only be used to pay for the costs of the following expenses:
- (1) The purchase of materials, supplies, and equipment used in any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program operated by the facility for the benefit of the residents;
 - (2) The construction, alteration, repair, or reconstruction of a facility under the control of the facility governing board for use in any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program operated by the facility for the benefit of the residents;
 - (3) The payment of salaries, wages, and other compensation to employees of the facility who are employed in any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program operated by the facility for the benefit of the residents;
 - (4) The compensation of vendors that contract with the facility for the provision of services for any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program for the benefit of the residents;
 - (5) The purchase of other goods and the payment of other services that are determined, at the discretion of the director, to be goods and services that may provide additional benefit to the residents;
 - (6) The costs for the auditing of the resident program fund.
- (B) If a commissary is established by the community-based correctional facility or the district community-based correctional facility, all persons confined in the facility shall receive commissary privileges, and the commissary shall provide for the distribution of necessary hygiene articles and writing materials to indigent residents.
- (C) The director shall establish rules, to be approved by the facility governing board, for the operation of the resident program fund that follow guidelines established by the auditor of state.

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Cash Receipts & Disbursements from Offenders (including per diem funds) (*continued*)

To test these sections:

- 1) Obtain the CBCF's policies regarding a commissary.
- 2) Obtain an understanding of how the CBCF classifies offenders as indigent vs. non indigent.
- 3) Scan payments from offender accounts. Document whether payments for commissary purchases were charged only to non-indigent offenders.
- 4) Document whether the accounting system includes a separate commissary fund.
- 5) Scan payments from the commissary fund, to determine whether they met purposes permitted by 2301.58 above.

Record of Work Done:

Conclusion:

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020 – Reviewed and removed track changes)

Audit Procedure: Updated for FY18/FY19 Grant Manual

CBCFs will often have a separate system for amounts paid by the county / fiscal agent vs. amounts the CBCF pays from its offender accounts. The procedures described below apply to amounts paid from intergovernmental sources, such as 501 funds. (The receipts / disbursements from offender funds program section includes tests of disbursements from offender funds.)

Since these disbursements likely result from a different system (i.e., a fiscal agent's) than the system used to process offender disbursements, you should select a separate sample for sampling applications. We do not need an AU-C 402 / SSAE / SOC 1 (AT-C 320) report unless the fiscal agent was not subject to a financial audit.

IMPORTANT: When selecting transactions to test, assure the sample or other selection method includes some items to test the compliance items described at the end of this section. For example, the sample should include at least five travel reimbursement payments (step 5.h). Since we are not providing an opinion on compliance for these matters, and noncompliance would be unlikely to cause material misstatement, we do not require extensive testing of most of these matters. However, we should test the compliance requirements to assure the CBCF is aware of the requirements and complied for the transactions we tested. If we find noncompliance from testing one or only a few transactions for which it is not appropriate to project an error, document why additional instances of noncompliance might or probably could not result in noncompliance material to the financial statements. If necessary, extend testing for the compliance requirement. Report the noncompliance in a manner appropriate to its severity (i.e., in the management letter or as material noncompliance in the GAGAS report). See OCS FFR guidance, Findings for Recovery Issuance, Standardization, Notification, Reporting and Document Procedures.

Inherent Risk

Auditors assigned to CBCFs managed by **nonprofit entities (NFP)** must be aware of additional risks related to these engagements. These risks may arise in several areas, but particularly regarding allocating/charging costs to the CBCF. Unlike most governments we audit, the NFP may operate several "lines of business," requiring them to allocate a portion of certain costs to the CBCF, particularly to 501 funds. As one very simple immaterial example, an NFP may have one receptionist. The receptionist answers the phones for all the NFP's businesses. It likely would not be cost effective for the NFP to precisely measure the per cent of time the receptionist devotes to NFP activities. Therefore the NFP must have a method of determining a fair allocation of that receptionist's salary and fringes to the CBCF. You should be aware of material allocations and understand the method/formula the NFP uses to determine a fair rate to charge the CBCF. We will not challenge these allocations unless they seem clearly unsupported. For example, allocating the receptionist's salary as a pro rata per cent of the NFP's total revenue from all "businesses" may be reasonable. Conversely, charging all the receptionist's costs to 501 funding when the NFP has several other significant businesses would be unreasonable. There may be many costs requiring allocation besides salaries, such as rent, utilities, etc. Focus on the reasonableness of material costs requiring allocation. Consider significant costs charged/allocated near the end of the funding period, which may be questionable efforts to avoid refunding unspent 501 funds.

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

Summarize material allocated costs you question as unreasonable. Discuss with your supervisor.

1. When completing the related control procedures for this section, consider:

Where a fiscal agent holds cash and maintains accounting reports, read the latest audit report for the fiscal agent. Read the GAGAS compliance and controls report and management letter. Document whether any findings or control deficiencies affect the CBCF's controls.

2. (AT, OT) Obtain the fiscal agent (e.g. county auditor's) cash disbursement records for the CBCF fund.

- a. If the CBCF maintains a duplicate system, reconcile the fiscal agent's records to the CBCF's.
- b. Agree the fiscal agent's reports to the trial balance and annual report.

3. (AT, Cf) Test subsidiary cash disbursement records. (In addition to specimen nonpayroll cash disbursement audit program steps)

- a. Determine whether the disbursement was for a proper public purpose, and whether the fund and account code(s) the transaction was posted to was reasonable.
- b. If paid from 501 or grant funds, document whether the cost was allowable under the grant agreement. (Step 5 describes certain allowable costs.)
- c. If paid from 501 funds, document* whether the cost classification (supplies, utilities, etc.) agrees to the cost definitions in the CBCF Grant Manual (FY18/FY19, Section II D.3.)

Significant noncompliance with the prescribed classifications would not only affect our opinion, we would also cite the aforementioned Grant Manual.

* A tickmark for each transaction we test would usually be satisfactory documentation.

4. [AT] Evaluate allocated costs

Read the table in the intro to this audit segment regarding inherent risk and allocated costs.

- a. Gain an understanding of the extent/dollar amount which the CBCF allocates/charges costs to the CBCF vs. other activities.
- b. Gain an understanding and document the amounts and methods/formulas the CBCF uses to allocate significant costs.
- c. Assess the reasonableness of allocation methods. Discuss methods and amounts that may be unreasonable with your supervisor.
- d. Scan the disbursement "ledgers" for significant costs charged to the CBCF near the end of the fiscal year (this may require testing two FYE, if the managing entity has a different fiscal year end than June 30). Determine whether these significant charges are legitimate costs benefiting the CBCF and supported by adequate documentation.

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

5. Compliance tests: Disbursements

- a. All 501 income and expenditures must be supported with documentation to provide a clear audit trail for every financial transaction. (FY18/FY19 Section II G.2).

(Therefore, if documentation is significantly inadequate (missing invoices, etc.), it would be a noncompliance finding, not just a control deficiency.)

- b. 501 funds can only pay expenditures approved either in the grant proposal or latest budget revision. When testing / sampling disbursements, include a column with tick marks to document whether the tested items were for costs listed in the 501 budget.

- c. A CBCF may pay costs on behalf of other funding sources if the other funding source subsequently reimburses the 501 fund. For example, a CBCF could charge teacher wages to 501 salaries and later reimburse 501 when the CBCF receives either ABLE or Title I funds.

For example, because the federal fiscal year differs from the CBCF fiscal year, it takes a while for ABLE/Title I funds to reach counties. Teachers are paid out of 501-501 funds and subsequently, the 501-501 line item is reimbursed with ABLE or Title I funds.

NOTE: This is not a compliance requirement as much as it is an “FYI.” That is, ODRC does not object if CBCF reimburse other funding sources as described above.

CBCF should record reimbursements of this nature as a negative disbursement, to eliminate costs not actually incurred by a program. (FY18/FY19, Section II C. 8)

- d. “No local policy shall supersede the grant guidelines.”

When testing disbursements, determine that they were not approved per a local policy that was “less strict” than the CBCF Grant Manual.

(Some Grant Manual guidelines expressly permit following a local policy. For example, a CBCF may follow a county’s travel expense policy, if the county’s policy does not exceed OBM’s travel policy. Therefore, following the county’s policy would not “supersede the grant guidelines” if it does not exceed OBM’s policy.)

(FY18/FY19, Section II A.)

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

5. Compliance tests: Disbursements (continued)

- e. Section II D of the grant manual and application provides guidance on expenditures of CBCF funds. Review Section II D, including cost category definitions to identify allowable costs.

For example in the FY18/FY19 Manual:

- i. Section II, D.1.a. in the Grants Manual states the following:

The utilization of state grant funds for purchase of food and meal related expenses are prohibited for anyone other than for resident offenders. This includes, but is not limited to recognition events, staff retreats and retirement parties, committee meetings, training sessions and working lunches, ACA audit meetings, graduation and other recognition ceremonies, and offender group events. This does not include reimbursement for food purchases made in compliance with travel expense guidelines. This restriction is not intended to prohibit the ability of agencies to provide meals on-site for staff if staff purchases said meals.

This does not prohibit funds collected from employees, fund raisers, vending commissions, etc.

We believe the preceding sentence means CBCF cannot disburse public funds (e.g. 501 dollars) to purchase food and meal related products for individuals other than resident offenders, and cannot disburse public funds for recognition events, staff retreats and retirement parties, committee meetings, training sessions, working lunches, ACA audit meetings, graduation and other recognition ceremonies, and offender group events.

Monies derived from vending machines used by resident offenders are to be spent for resident offender expenses only.

Auditors should review revenues derived from offender vending commissions to determine the revenues were used for offender related expenditures only.

- ii. Section II, D.3.b. (5) in the FY18/FY19 Manual addresses allowable administrative costs.

Specifically (5)(b) indicates that legal fees are defined as actual costs incurred for legal counsel. Grant funds may not be used to retain counsel to dispute findings made by the Auditor of State or the Ohio Department of rehabilitation and Correction.

Steps h. and i. below also include procedures for travel and equipment.

Review the Grant Manual to determine if disbursements you select to test are for allowable costs.

- f. The CBCF must maintain "capital revenue" in a separate account and cannot spend it for operating expenses. (FY18/FY19, Section II C.6.)

When testing / sampling disbursements, select payments charged to capital funds (if any). Document that these payments were not spent on operating costs.

NOTE: There are no capital grant agreements. Facilities submit a proposal for capital funds and if capital revenue is awarded, ODRC enters into an Agreement of Sublease with the county.

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

5. Compliance tests: Disbursements (continued)

- g. The grantee must adhere to all established statutory purchasing requirements in addition to the guidelines in the Grants Manual (Section II, D.2.) regarding Minority Business Enterprise (MBE), Ohio Penal Industries (OPI), Ohio Industries for the Handicapped (OIH) and Encouraging Diversity, Growth and Equity (EDGE), purchasing. When these requirements do not apply, the CBCF must follow county or governing board expenditure guidelines regarding the purchase and acquisition of supplies, services and equipment. (FY18/FY19, Section II D.2.)

Document whether the transactions selected for testing from 501 funds:

- i. Included a county purchase order.
- ii. Are documented in the county's accounting system (i.e., recorded in the check register or other transaction listing the county's accounting system generates).
- h. Select five travel reimbursements for testing. (Be aware that ODRC is very concerned with whether travel costs conform with the Grant Manual restrictions.) You should determine if the costs reimbursed are paid according to the Grant Manual. FY18/FY19 Grant Manual Section II D.3b(6)(a):

Mileage, meals, and overnight lodging should be paid according to policy established by the county or governing board administering the program. Travel policies established by the governing board shall be submitted to the Bureau of Community Sanctions on an annual basis with the grant application. Travel policy rates cannot exceed the limitations set forth in the Ohio Office of Budget and Management (OBM) administrative regulation 126-01-02, <http://www.ohiosharedservices.ohio.gov/TravelExpense/>.

Employees of private non-profit organizations contracting with a governing board must follow the OBM travel policies except in regards to overnight lodging. Due to the ineligibility of private non-profits to receive established government lodging rates, the maximum lodging rate reimbursed from the grant cannot exceed 60% above the OBM established rate. (FY18/FY19, Section II D.3b(6)(a))

- i. Only equipment specified in the approved program proposal may be purchased. Purchases of equipment not specified in the program proposal must have prior written approval from the Bureau of Community Sanctions in the form of a budget revision. (FY18/FY19, Section II D3d(1)(2)).
- i. Scan disbursements made for "equipment." ODRC defines equipment as moveable items with a useful life > 1 year and a cost > \$300.
- ii. Select a "representative number" of equipment purchases. Determine whether the items were either specified in the grant proposal or approved, in writing, by ODRC
- j. CBCF should record cash received back from overpayments, refunds, rebates, etc. to the disbursement category originally paid (i.e. record as a negative receipt).

(There is no need to design tests to search for these, but if you find these transactions during other tests, you should determine if the CBCF posted them properly. Also, "rebates" in this context do not include commissions or rebates from agreements with phone companies, which are subject to RC 2301.58(A), described elsewhere in this program.) FY18/FY19, Section II C. 8

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

6. Compliance tests: Encumbrances and accrued expenses at year end

Expenditures encumbered prior to the end of the grant period must be paid within 90 days after the close of the grant period. Obligated expenditures remaining after 90 days must be paid for out of the next grant year. To facilitate fiscal year end closing no extensions will be granted. (FY18/FY19, Section II D.1.c.)

There are a few CBCFs that report on an accrual method. Accrual budgets must charge liabilities unpaid after 90 days to the subsequent year and not report them in the final annual report.

See also Other Compliance Testing Procedures.

- a. Compare amounts reported as encumbered or accrued at the end of the grant period to subsequent payments (i.e., checks). The extent of this testing depends on the significance of total at the end of the grant period encumbrances or accruals compared to the unspent budget. Consider using high dollar testing.
- b. Determine that amounts reported as spent in the year-end final expenditure report do not include amounts for unliquidated encumbrances or unpaid accrued liabilities after 90 days of the end of the grant period.

(see related test in Other Compliance Testing section later in this program)

In other words, determine that additional amounts recorded as disbursements in the final expenditure report vs. the 6/30 year-end report represent payments on commitments legitimately related to the prior grant year, rather than an attempt to avoid refunding 501 money to ODRC.

Expenditures not encumbered with a purchase order prior to the close of the grant period will not be allowed as an expenditure from that grant award period. (FY18/FY19, Section II D.1.d.)

- c. Scan payments charged to the grant between fiscal year end and 90 days after year end. Document whether these payments were encumbered or accrued at year end. Determine whether such payments related to commitments of the prior 501 fiscal year.

7. Compliance Tests: Minority Business Enterprise spending

The grantee must set aside at least 15% of the estimated aggregate dollar value of all direct purchases of equipment, materials, supplies and services for certified minority vendors (MBE). Facilities may request a waiver from the Bureau of Community Sanctions. (FY18/FY19, Section II D.2.a.) (ORC 125.081)

Personnel Costs: Entire category is exempt

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

General Operating Expenses:

- a. Supplies: Nothing in this category is exempt
- b. Administrative Fees: Amounts paid to government agencies for administrative costs are exempt
- c. Evaluation Fees: Amounts paid to government agency for program evaluation costs are exempt
- d. Communications: Amounts paid to telephone, pager and Internet service providers, courier services and postage expenses are exempt.
- e. Printing: OPI printing costs are exempt
- f. Insurance: Self Insurance costs or if provided by county
- g. Transportation: Vehicle fuel, mileage reimbursement, meal and lodging expenses, miscellaneous travel expenses (parking, tolls, taxes, etc.) are exempt.
- h. Rentals: Building, land, and office rent expenses are exempt.
- i. Utilities: Gas, water, sewage, and electric expenses are exempt.
- j. Maintenance and Repair: Maintenance and repair services provided by another government agency and other proprietary software maintenance expenses are exempt.
- k. Staff Recruitment, Retention and Training: Registration fees, membership dues, and expenses for educational reading materials for staff are exempt.

Programming Expenses:

- a. Amounts paid to non-profit organization(s) and services provided by other government agencies are exempt.
- b. Hospital, ambulance, emergency room care, offender travel (bus tokens), resident compensation (wages) are exempt.
- c. Equipment: None of this category is exempt
 - i. Obtain the Facility's computation of its 15% spending requirement. (If the Facility does not have a computation, we need not prepare it. Report noncompliance for not preparing the computation.)
 - ii. Recompute the calculation.
 - iii. Agree selected exempted costs to amounts recorded in the accounting system. (For example, agree total utility costs to utility costs recorded in the accounting system for utilities. We need not trace all costs or subject this testing to a sampling application.)

NOTE: If purchasing from MBE vendors is not possible, documentation must be submitted to explain why the purchase cannot be made and a written waiver may be obtained from the Bureau of Community Sanctions prior to the purchase of goods and/or services. (FY18/FY19, Section II D.2.a)

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Step Name/Procedure Name: Nonpayroll Cash Disbursements (April 2020) (continued)

8. Compliance Test: Ohio Penal Industries (OPI), Ohio Industry for the Handicapped (OIH) and Encouraging Diversity, Growth and Equity (EDGE)

The CBCF should purchase supplies, printing, and equipment from OPI or OIH after the 15% MBE requirement has been met. (FY18/FY19, Section II D.2.b and c) (ORC 5147.07 and 4115.31-.35).

In addition, 5% of eligible direct expenditures shall be awarded to certified EDGE (Encouraging Diversity, Growth and Equity) participants. (FY18/FY19, Section II, D.2.d.) (ORC 123.152)

Scan disbursement records of costs classified as supplies, printing or equipment. Determine whether the vendor was either:

- an MBE
- OPI
- OIH
- EDGE

If not one of the above, determine if the voucher package included a waiver approved by the Bureau of Community Sanctions, exempting the purchase from these requirements.

Record of Work Done:

Conclusion:

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Step Name/Procedure Name: Payroll Cash Disbursements (April 2020 – Reviewed and removed track changes)

Audit Procedure: Updated for FY18/FY19 Grant Manual

A county auditor / fiscal agent may process payroll for the CBCF. We do not need an AU-C [402](#) / SSAE / SOC 1 (AT-C [320](#)) report unless the fiscal agent was not subject to a financial audit.

Inherent Risk

Auditors assigned to CBCFs managed by **nonprofit entities (NFP)** must be aware of additional risks related to these engagements. These risks may arise in several areas, but particularly regarding allocating/charging costs to the CBCF. Unlike most governments we audit, the NFP may operate several “lines of business,” requiring them to allocate a fair portion of certain costs to the CBCF, particularly to 501 funds. As one very simple immaterial example, an NFP may have one receptionist. The receptionist answers the phones for all the NFP’s businesses. It likely would not be cost effective for the NFP to precisely measure the per cent of time the receptionist devotes to NFP activities. Therefore the NFP must have a method of determining a fair allocation of that receptionist’s salary and fringes to the CBCF. You should be aware of such material allocations and understand the method/formula the NFP uses to determine a fair rate to charge the CBCF. We will not challenge these allocations unless they seem clearly unsupported. For example, allocating the receptionist’s salary as a pro rata per cent of the NFP’s total revenue from all “businesses” may be reasonable. Conversely, charging all the receptionist’s costs to 501 funding when the NFP has several other significant businesses would be unreasonable. There may be many costs requiring allocation besides salaries, such as rent, utilities, etc. Focus on the reasonableness of material costs requiring allocation. Consider significant costs charged/allocated near the end of the funding period, which may be questionable efforts to avoid refunding unspent 501 funds.

Summarize material allocated costs you question as unreasonable. Discuss with your Supervisor.

1. When completing the related control procedures for this section, consider:

Where a fiscal agent holds cash and maintains accounting reports, read the latest audit report for the fiscal agent. Read the GAGAS compliance and controls report and management letter. Document whether any findings or control deficiencies affect the CBCF’s controls.

2. [AT] [CF] When testing employee master file (i.e., standing) data:

Determine the employee or position is approved in the 501 program proposal. (FY18/FY19, Section II D 3.a.2)

3. (AT, OT) When testing payroll transactions:

Document that the rate paid to 501 grant employees agrees to the approved budget and are reasonable comparable to similar positions in the community or unit of government associated with the program.
(FY18/FY19, Section II D 3.a.3.)

One time salary adjustments for additional benefit or bonuses are allowable if:

- they cannot exceed \$3,000 for any one employee during a fiscal year and
- the total amount of one-time payments to all employees in the facility cannot exceed 3% of the total amount of the grant for the fiscal year.

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Step Name/Procedure Name: Payroll Cash Disbursements (April 2020 – Reviewed and removed track changes) (continued)

Report noncompliance against the CBCF Grant Manual if there is no documentation to support the time or hours charged to the grant. (FY18/FY19, Section II D 3.a.2)

4. (Cf) Evaluate allocated wages and fringe benefits:

Read the intro to this audit segment regarding inherent risk and allocated costs.

- a. Gain an understanding of the extent/dollar amount which the CBCF allocates/charges wages and fringe benefits to the CBCF vs. other activities.
- b. Gain an understanding and document the amounts and methods/formulas the CBCF uses to allocate significant allocated costs.
- c. Assess the reasonableness of allocation methods. Discuss methods and amounts that may be unreasonable with your Supervisor.

Scan the disbursement “ledgers” for significant costs charged to the CBCF near the end of the fiscal year (this may require testing two FYE, if the managing entity has a different fiscal year end than June 30). Determine whether these significant charges are legitimate costs benefiting the CBCF and supported by adequate documentation.

5. Compliance tests: (steps are from the 501 Grant Manual with ODRC’s Bureau of Community Sanctions)

- a. Unspent 501 funds at the end of the grant period must be returned when invoiced by the State. They cannot be used as payments for bonuses, awards or any other distribution. (FY18/FY19, Section II D.1.e.)
- b. Fringe benefits –
In recording fringe benefits in the accounting records as well as in the quarterly or annual reports include the employer’s share only in the fringe benefit cost category. Report the employees’ share as salaries. (FY18/FY19, Section II D 3.a.6)
- c. Upon retirement, the grant can only be charged for retirement payments for the years of service the employee received pay from the CBCF grant. (FY18/FY19, Section II D 3.a.7)

Inquire or scan employment records to identify retirements during the year. Determine if any payments beyond required contributions to the Statewide pension system were made.

Record of Work Done:

Conclusion:

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Step Name/Procedure Name: Budgetary (April 2020 – Reviewed and removed track changes)

Audit Procedure: This audit program section includes substantive procedures to support the auditor's opinion on budgetary presentations included as footnotes. CBCF footnotes present budget to actual amounts for 501 funding.

1. (AT) Test budgeted disbursements (i.e., appropriations).

Compare budget amounts reflected in the budgetary presentation to the final budget ODRC approved.

2. (CmT, OT, AT, Cf) When comparing actual disbursements and encumbrances from the accounting system to the amounts reported in the budgetary footnotes in the specimen budgetary audit program, please note:

The Community-Based Correctional Facility Grant Manual, FY18/FY19 Section II (A) requires every political subdivision, private or non-profit entity receiving grant funds to apply the same accounting treatment to 501 grant subsidies as it applies to other grant revenue/receipts and expenditures/disbursements. No local policy shall supersede the grant guidelines.

Expenditures of grant funds must be clearly documented and solely dedicated to CBCF activities. For each grant agreement, separate financial records must be maintained and Quarterly Financial Reports must be filed with the Bureau of Community Sanctions and the Auditor of State to account or grant expenditures.

(FY18/FY19, Section II.A)

3. Compliance tests: (steps are from the Grant Manual with ODRC's Bureau of Community Sanctions)

- a. Total expenditures (including encumbrances) must not exceed the grant award for the fiscal year. (FY18/FY19, Section II D.1.b.)

Scan budget vs. actual disbursements. Report any significant noncompliance.

- b. Grant award increases (i.e. budget amendments) must be evidenced by a signed amended grant agreement addendum. If the grant award is increased or decreased a revised grant application and budget pages with justification must be submitted to the Bureau of Community Sanctions via the IntelliGrant Program Revision Process. (FY18/FY19 Section II E1 and D.1.b)

Compare the initial approved budget with the final budget. If the budget increased, document whether the required amendment was approved by the Bureau of Community Sanctions.

- c. Budget revisions requests are required if funds are moved among the four (4) cost categories: Personnel, General Operating Expenses, Program Expenses and Equipment. Budget pages for each related cost category must accompany budget revisions. The justification section for the revised budget sheet must be completed. Increases as well as reductions will require detailed explanation as to how the change(s) will affect program operations. (FY18/FY19 Section II E.1)

Compare the initial budget with the final budget. If the CBCF reallocated budgetary authority among the four categories listed above, determine if they sent the required revisions to ODRC and received written approval from the Bureau.

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Step Name/Procedure Name: Budgetary (April 2020) (continued)

Compliance tests: (steps are from the Grant Manual with ODRC's Bureau of Community Sanctions) *(continued)*

d. Per FY18/FY19 Section II E.:

Changes within the Personnel, General Operating Expenses, Program Expenses and Equipment cost categories are at the discretion of the Program Director. Items in the approved grant application are the only allowable expenditures and programs shall follow the approved budget for expenditures.

Any changes within categories are to be submitted on revised budget pages quarterly.- through the Grant Revision process in the IntelliGrants system - FY18/FY19 Section II E.

Determine if the CBCF submitted changes within the cost categories as required.

e. June 30 is the deadline for all budget revision requests, unless approved by the Bureau of Community Sanctions. (FY18/FY19, Section II E.2.)

Determine if all budget amendments were submitted to the Bureau of Community Sanctions by June 30.

f. Changes to the equipment category require an updated equipment list for approval. (FY18/FY19 Section II E.1.)

Compare the original equipment budget to the final equipment budget. If the amount was amended, determine if the required updated list was submitted to the Bureau of Community Sanctions.

g. Total grant funds reported in each cost category of the financial reports must equal the amounts that are reflected in the most recently approved or amended budget. (FY18/FY19 Section II G.5)

Note: This means amounts in the column under "Total Grant Funds Approved" in the 501 quarterly reports must agree to approved budgets and budget revisions.

Record of Work Done:

Conclusion:

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Step Name/Procedure Name: Other Compliance Testing (April 2020 – Reviewed and removed track changes)

Audit Procedure: Compliance steps we can incorporate into other testing sections appear with those sections. For example, since Minority Business Enterprise percentages relate to nonpayroll disbursements, MBE testing appears in the nonpayroll disbursement section of this program. Other tests are included in the Budgetary Disclosure section of this program, etc.

1. Reporting

- a. CBCFs must submit quarterly financial reports within 30 days following the end of the quarter via IntelliGrants. (FY18/FY19 Section II G.5)
CBCF must separately report each CBCF program. (FY18/FY19 Section II G.5) ODRC explained this requires a CBCF to report all outside funding on the AOS quarterly report such as ABLE/Title I, etc.
Scan copies of selected quarterly reports. Determine whether they were filed within approximately 30 days after quarter end.
- b. A final year-end financial report must be submitted following the fiscal year using the Year-end Reconciliation Financial Report (through the IntelliGrant systems – (FY18/FY19). These reports are due no later than October 15 after the fiscal year end and must be submitted to the Bureau of Community Sanctions Business Office.

Note: there should be no unpaid obligations (whether encumbered or accrued) 90 days after year end included in the final report. See Nonpayroll Cash Disbursements procedure, Step 6)

- c. Determine if the report was filed with the Bureau of Community Sanctions.

2. Equipment (FY18/FY19, Section II D.3.d.5)

- a. Determine if the CBCF maintains an equipment list. Select a small number of equipment purchases during the audit period and trace to the list to help determine if the CBCF timely and completely updates the list.

Note: The extent of this testing can be less than a sample; we are not opining on this compliance step. Five purchases may be sufficient.

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Step Name/Procedure Name: Other Compliance Testing (April 2020) (continued)

Audit Procedure: Compliance steps we can incorporate into other testing sections appear with those sections. For example, since Minority Business Enterprise percentages relate to nonpayroll disbursements, MBE testing appears in the nonpayroll disbursement section of this program. Other tests are included in the Budgetary Disclosure section of this program, etc. (continued)

3. Refund to ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. A facility can retain the lesser of June 30 cash or 1/12 of the current year's 501 budget. The Facility must refund any excess over this amount to ODRC, (FY18/FY19 Section II G Instructions: Year-End Reconciliation)

The Facility refunds "excess" 501 funds in the following fiscal year. The "Balance to be Returned to State" will auto-populate in the IntelliGrants system when the year-end report is prepared. An invoice will be generated for the balance to be returned to the state. 70% of the amount owed back to the state will be invoiced in the first year. The remaining balance will be invoiced at the conclusion of the State Auditor's audit by the BCS grant staff via the "final invoice required" status within intelligrants - FY18/FY19.

- a. Obtain and recompute the Facility's refund calculation.
- b. Agree receipts, disbursements and encumbrances liquidated within 90 days of FYE to the adjusted trial balance.
- c. Trace any amounts exceeding the lesser of June 30 cash or 1/12th of the 501 budget to a check paid to ODRC.
- d. Compare the calculation to the disclosure in the footnotes to the audited statements.

4. Programs shall remit unspent funds within 90 days of notification of amount due. (FY18/FY19 Section II G Instructions: Year End Reconciliation).

- a. Determine if unspent funds were remitted within 90 days of notification of the amount due.

Record of Work Done:

Conclusion:

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Sub Folder Name: Audit Reaction and Conclusion

If any of the below arose when you performed procedures for this segment, describe your resolution of them below:

- Identified misstatements we determine from our procedures, including possible opinion effects.
- A comparison of identified misstatements (if any) to performance materiality for the opinion unit.
- A summary of any potential management comments or deficiencies / significant deficiencies / material weaknesses issues.
- Noncompliance findings.
- Any previously unknown fraud risks we detected from our procedures.
- Any previously unknown other misstatement risks we detect from our procedures.
- Any significant risks we identified.
- A description of any audit reactions we determined during planning / initial risk assessment activities, and the results of the procedures we applied to react to the risk.
- A description of our resolution of any contradictions between different sources of evidence.

If none of the above occurred, simply state you completed the procedures, and no evidence of the issues above came to your attention.

Summary: