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Auditor of State

**LOCAL GOVERNMENT AGENCY
FEDERAL AWARD COMPLIANCE CONTROL RECORD**

**COUNTY JOB AND FAMILY SERVICES TESTING
January 2010**

NAME OF CLIENT:	
YEAR ENDED:	2009

FEDERAL AWARD NAME:	Child Support Enforcement (Title IV-D)
CFDA#:	#93.563

Introduction
Part I – OMB Compliance Supplement Information
Part II – Other Program Information

Applicable Compliance Requirements ¹	
A. Activities Allowed or Unallowed B. Allowable Costs/Cost Principles C. Cash Management E. Eligibility F. Equipment and Real Property Management G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds I. Procurement and Suspension and Debarment J. Program Income L. Reporting M. Subrecipient Monitoring N. Special Tests and Provisions

Compliance Requirements Not Applicable ²	
D. Davis-Bacon Act	K. Real Property Acquisition and Relocation Assistance

Prepared by AA		Date	
Reviewed by AM		Date	
Reviewed by SAM		Date	

Please note: This FACCR was prepared using the 2009 OMB Compliance Supplement and Ohio Administrative Code and Ohio Revised Code sections applicable at that time. Due to potential revisions to Ohio Administrative Code and Ohio Revised Code sections governing the grant not available at this time, auditors should review the applicable compliance requirements for changes that may impact the program prior to using this FACCR for testing. In addition, we will make modifications to this FACCR for any additional information provided by ODJFS as well as any changes deemed necessary after performing subsequent testing of the procedures.

¹ The auditor should always:

- Ask the auditee if there have been any changes in program requirements.
- Review the contracts/grant agreements for such changes or other modifications.

If changes are noted, document them in the W/P's and consult with Accounting and Auditing for an appropriate FACCR modification.

² Auditors should review the determination of the requirements above for applicability. Certain requirements may not be applicable because either they do not apply to the program or because the auditee has no evidence of transactions or events subject to those particular requirements. Auditors can check the Matrix of Compliance Requirements, Part 2, viewable at http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/ to determine the applicability of programs OMB lists in its Compliance Supplement. Otherwise, review grant documents to help determine a requirement's applicability.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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

Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:

Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:

Cross-reference to any Management Letter items and explain why not included in the A-133 Report:
<p>The following are required to be reported under A-133:</p> <ul style="list-style-type: none"> • Significant deficiencies in internal control over major programs • Material noncompliance with the laws, regulations, and provisions of contracts and grant agreements related to major programs • Known questioned costs greater than \$10,000 (and, for major programs, known questioned costs when likely questioned costs are greater than \$10,000) • Other types of findings (e.g., fraud) <p>The matrix in Exhibit 12-1 of the AICPA Audit Guide, <i>Government Auditing Standards and Circular A-133 Audits</i>, shows that a matter must meet the following in order to be communicated in the management letter:</p> <ul style="list-style-type: none"> • If fraud or an illegal act, it must be inconsequential (regardless of whether the act related to a federal program or not) • If a violation of contract or grant agreement, it must be inconsequential (regardless of whether the act related to a federal program or not)

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

INTRODUCTION

PART I – OMB COMPLIANCE SUPPLEMENT INFORMATION

(Source: 2009 OMB Compliance Supplement)

I. Program Objectives

The objectives of the Child Support Enforcement programs are to: (1) enforce support obligations owed by non-custodial parents, (2) locate absent parents, (3) establish paternity, and (4) obtain child and spousal support.

II. Program Procedures

Administration and Services

The Child Support Enforcement programs are administered at the Federal level by the Office of Child Support Enforcement (OCSE), Administration for Children and Families (ACF), a component of the Department of Health and Human Services (HHS). Under the State Child Support Enforcement program (State program), funding is provided to the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam, based on a State plan and amendments, as required by changes in statutes, rules, regulations, interpretations, and court decisions, submitted to and approved by OCSE. Under the Tribal Child Support Enforcement program (tribal program), funding is provided to federally recognized tribes and tribal organizations based on applications, plans, and amendments, as required by changes in statutes, rules, regulations, and interpretations, submitted to and approved by the ACF Central Office.

The State program is an open-ended entitlement program that allows the State to be funded at a specified percentage, Federal financial participation (FFP), for eligible program costs. Under the tribal program, tribes receive funding for a specified percentage of program costs.

State child support agencies are required to conduct self-reviews of their programs. The first round of self-assessments was required to be completed by March 31, 1999 (42 USC 654(15) and 45 CFR part 308).

III. Source of Governing Requirements (CFR, USC, grantor manual section, etc.)

Source of Governing Requirements

The Child Support Enforcement programs are authorized under Title IV-D of the Social Security Act, as amended. This includes amendments as the result of the Deficit Reduction Act of 2005 (DRA) (Pub. L. No. 109-171). The State program is codified at 42 USC 651 through 669. Implementing program regulations for the State program are published at 45 CFR parts 301 through 308. In addition, with regard to eligibility and other provisions, these programs are closely related to programs authorized under other titles of the Social Security Act, including the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558), the Medicaid program (CFDA 93.778), and the Foster Care (Title IV-E) program (CFDA 93.658).

The tribal program is authorized under Title IV-D of the Social Security Act, as amended, at 42 USC 655. Implementing program regulations are published at 45 CFR part 309 (*Federal Register*, March 30, 2004, 69 FR 16639). These regulations are available at <http://www.acf.hhs.gov/programs/cse/pol/AT/2004/at-04-01a.pdf>.

Awards made under the State program with funding periods beginning on or after October 1, 2003, are subject to the HHS implementation of the 45 CFR 92 (*Federal Register*, September 8, 2003, 68 FR 52843-52844). The State program also is subject to 45 CFR part 95. The tribal program is subject to the administrative requirements of 45 CFR part 92 and 45 CFR part 309. Both programs are subject to the cost principles under Office of Management and Budget codification 2 CFR 225 (as provided in *Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government*, HHS Publication ASMB C-10, available on the Internet at <http://rates.psc.gov/fms/dca/asmb%20c-10.pdf>).

States and tribes are required to adopt and adhere to their own statutes and regulations for program implementation, consistent with the requirements of Title IV-D and the approved State plan/tribal plan and application.

Other Sources:

- **2 CFR 225 is the codification of OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments)**
- **45 CFR 92 includes the Health and Human Services OMB Circular A-102 Grants Management Common Rule (State & Local Governments)**

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

- **45 CFR 74 includes the Health and Human Services OMB Circular A-110 (universities & non-profit organizations). OMB Circular A-110 was codified into 2 CFR 215.**
- **2 CFR 376 includes the Procurement Suspension & Debarment requirements for Health and Human Services**

Auditors should cite using the applicable codified CFR references and not the OMB Circulars for noncompliance.

INTRODUCTION

PART II – OTHER PROGRAM INFORMATION

I. Program overview:

Child Support Program

The child support program provides services to individuals that include the location of parents, the establishment of paternity and of medical and financial support obligations, the enforcement of those obligations, and the collection and disbursement of support payments.

Two categories of individuals are served under the IV-D program: those who are referred to the child support enforcement agency by a public assistance program from whom they are receiving benefits; and those who complete an application for services. Both of these categories of individuals have a IV-D case, meaning that they are being provided child support program services in accordance with the federal child support program mandated by Title IV-D of the Social Security Act. The CSEA activities on these cases are therefore subject to reimbursement that includes federal financial participation under the IV-D program.

Where an individual does not receive public assistance (and automatically become a IV-D case) or does not complete an application for services (and become a IV-D case by request) they are considered a non-IV-D case. These cases receive the same services as a IV-D case, with the exception of those few services that can only be provided to IV-D cases (e.g., the intercept of federal tax refunds to pay for overdue support). However, because the case is not IV-D, CSEA activities on these cases are not subject to federal financial participation. These cases comprise a very small portion of all child support cases (only about 4% of the total state caseload). Because this portion involves a very small part of the program, it is likely it will not impact testing. It has been included for auditor's information.

To receive federal financial participation the state must maintain a federally approved IV-D state plan. Counties do not adopt a separate plan for their local child support enforcement programs.

The **Bureau of Program Services** develops Title IV-D (child support) program policy in response to changes occurring in federal and state law, federal regulations, court/hearing decisions, and other events impacting on child support operations. This policy is contained in the [Child Support Program Manual](#) (CSPM). The Bureau interprets and disseminates program policies to be followed by the county CSEAs.

County Structure

Each County CSEA can be organized in one of four ways:

- As a division of a combined county agency under the County Department of Job and Family Services (CDJFS) (which administers some or all of the following programs - the Food Stamp Cluster, TANF, Child Care Cluster, Social Services Block Grant, SCHIP, and Medicaid (i.e. all Public Assistance programs));
- As a division of the Office of the County Prosecutor;
- As an arm of the local Common Pleas Court;
- As a stand alone CSEA reporting directly to the county commissioner.

Regardless of the method of organization, each county has a separately designated CSEA with a responsible director or administrator.

Subgrant Agreement

Each County agency (or agencies) enters into an Ohio Department of Job and Family Services Subgrant Agreement. This agreement describes the subgrant duties, ODJFS & subgrantee responsibilities, effective date of the subgrant, amount of grant/payments, audits of subgrantee, suspension and termination, breach and default, etc. Auditors should review their applicable County's subgrant agreement. This agreement indicates if each agency (Public Assistance (PA), Public Children Services Agency (PCSA), Child Support (CS)) is a stand-alone agency or if they are combined agencies. This will determine the cost pools that will need tested as part of the RMS process tested in Section A.

ODJFS has county profiles and weblinks at <http://jfs.ohio.gov/County/cntydir.stm> . The “County Agency Directory” has a list detailing the type of agency (single / combined) on the last 2 pages of the pdf document.

Additional information per ODJFS:

- The state has adopted statutes (in the Ohio Revised Code) and rules (in the Ohio Administrative Code) that implement the federal IV-D program requirements as the federally required state plan (see 45 CFR 302). These state statutes and rules provide guidance to the CSEAs regarding their activities. Local programmatic discretion is generally limited to their decisions the enforcement of support obligations.
- ODJFS Office of Fiscal and Monitoring Services performs ODJFS program County compliance reviews. ODJFS has agreed to provide AOS with a list of County reviews performed during 2009. The Counties do receive written results of these reviews. Auditors should request the compliance review from the County and consider the results of the reviews for planning purposes.
- ODJFS in preparation for the transition of the Counties becoming subrecipients, provided to each county a “Guided Self Assessment for County Family Services Agencies” (GSA). This is a comprehensive guide that incorporates the OMB compliance requirements, CFR and OAC requirements, identifies processes and controls ODJFS determined should be in place to meet specific federal requirements and corresponding risk assumed by the agency. Each County will receive from ODJFS the GSA for completion two weeks prior to their scheduled Monitoring review. The instructions request Counties to provide or attach policies and procedures to address the answers on the questionnaire. **Auditors should note the GSA is a tool developed by the ODJFS Bureau of Monitoring and Consulting Services (BMCS) to communicate compliance requirements imposed on the State and counties by Federal/State law or administrative rule (OAC). While the GSA does include authoritative guidance references, the GSA is not authoritative support for the requirements. In addition, the internal controls discussed throughout the GSA are only suggestions not required controls or ODJFS policy. The BMCS does not have authority to require specific internal controls without establishing an administrative rule. Therefore, auditors should not cite the GSA for reporting noncompliance or control deficiencies but cite the applicable law or rule governing the requirement.**

This is a brief description of the Fiscal Process:

- The County JFS receives different types of Funding:
 1. Mandated Share – does not apply to Child Support Enforcement.
 2. Federal Allocation – There are two ways federal monies are allocated by the State:
 - Allocation specific to the grant – Adoption, Foster Care, Child Care Block Grant, Social Services Block Grant and TANF receive allocations specific to their grants. These allocations are based on mandated methodology guidelines, including demographics, program information pulled from CFIS, etc. There are no local requirements for the calculating or receiving of these allocations. The County receives notification of their grant allocation from ODJFS.
 - Child Support enforcement receives a State Child Support Allocation (see OAC 5101:9-6-80).
 - Allocations as part of the State wide allocation (referred to as pass through grants by ODJFS) – Medicaid, SCHIP, Food Stamps, Child Support receive allocations as part of the state wide allocation. The County JFS receives notification of their allocation/grant budget from ODJFS through an Addendum to the Subgrant Agreement (discussed above). This allocation is determined at the beginning of the State fiscal year. There are no local requirements for the calculating or receiving of these allocations. Most dollars are provided as a pass-through allocation, therefore the statewide amount is provided to each county. The statewide amount is the amount for the entire State to administer the grants. There is no specific amount allocated to the County JFS. If the County JFS can show they have the match required, they can receive this funding up to the statewide pass-thru amount. ODJFS enters the Statewide pass-thru into CFIS as a budget.
 - Specifically for Child Support regarding Federal allocation:

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

- Federal grant monies – there is no cap on these monies. CSEAs can receive federal funding as long as they can show the required match. See 45 CFR 304.20 for more information on the availability and rate of Federal financial participation.
- Federal incentive monies – these monies were re-authorized October 2008 for a two year period (State FY 09 and FY10). CSEAs receive a letter in January for the calendar year. These monies are perpetual and have no time limit for expenditure.
- The American Recovery and Reinvestment Act (ARRA) temporarily reverses a provision in the Deficit Reduction Act of 2005 that ended the practice of providing federal matching funds for the state expenditure of incentive payments. The new ARRA provision is effective October 1, 2008 through September 30, 2010. ODJFS will receive the additional match funding based on incentive funds used during federal fiscal year (FFY) 2009 and FFY 2010 (October 1, 2008 through September 30, 2010), including incentives earned and not spent in prior years. Incentive payments expended during FFY 2008 (October 1, 2007 through September 30, 2008) are not eligible for additional federal funds. See Fiscal Procedure letter (FAPL) No. 14 dated 5-10-09 in Matching Section G.

3. Income Maintenance (State Allocation 600-652 monies) – does not apply to Child Support Enforcement.

- For most grants, the County JFS can draw down funds on a weekly basis from the ODJFS (see Reporting L section of this document). Public Children Services Agency (PCSA) grants (Foster Care and Adoption Assistance) are reimbursement grants. All other grants an agency draws down funds for anticipated needs and monthly report expenditures. Quarterly adjustments are made for the differences.
- County JFS file quarterly and annual reports with ODJFS via CFIS. There is a quarterly reconciliation process performed by ODJFS. ODJFS issues a response to the initial report, County JFS may make corrections and then a final report (settlement) is issued after all corrections are made. The usual time frame for the reconciliation process is 2-3 months. For example, the Oct-Dec quarterly report is reconciled in March. Based on this reconciliation, if the County JFS was under funded in December, they would receive the reconciled funding from ODJFS in March. Auditors should consider this when testing the county financial statements.
- Some grants based on Annual Closeout Rule in OAC 5101:9-7-02.2 may cover overages.
- All County JFS fiscal offices use Quic+ to record their expenditures. However, this system does not link information into the county auditor's expenditure ledgers. Counties can manually reenter the information or they may use a computer program for this upload process, such as PET (Maximus Program). Auditors should check to see if the information uploads to the County Auditor's system accurately by reconciling Form 2750 to the County Auditors records (see Reporting L section of this document).
- For most programs, expenditures are drawn down and expended based on State and Federal financial participation percentages. For example, for Child Support, the Federal share is 66% so the County JFS would be reimbursed 66% from Federal share and 34% from State allocations or they could use county funding for the 34% local match. This allocation is programmed into CFIS so auditors are not required to test the allocation; however, should be aware of this when testing the federal schedule.

See also **OAC 5101:9-7-02, 5101:9-7-02.1 and 5101:9-7-02.2** for additional information on the financing, reconciliation and closeout procedures. **Auditors should review this section for specific details on this process.**

II. ODJFS Program Information

(Source: ODJFS)

Overview of CSEA Services:

Location

These services help establish the physical whereabouts of the non-residential or residential parent, an employer (or other sources of income and assets) so that the CSEA may take the next step to secure or enforce a child support order. In order to do this the CSEA uses information from data sources such as: the

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

Administration, and the Ohio New Hire Employer directory.

For additional information, refer to the Child Support Program Manual (CSPM 5101:12-20 Location)

Paternity Establishment

Paternity establishment refers to the legal determination of a man as a child's father. The paternity establishment process is available at any time before the child attains 23 years of age. Paternity can be determined even if the other parent lives in another state or a foreign country. Paternity can be established through:

- Voluntary Acknowledgement: The **voluntary acknowledgment process** refers to completion of a form known as an "Acknowledgment of Paternity Affidavit." The form can be completed at the hospital when the child is born, before both parents leave the hospital. It can also be completed at the CSEA or at a local Vital Statistics Registrar.
- Administrative Order: If a case is contested or if there is some doubt as to the parentage of the child, either parent may request that the CSEA conduct genetic testing to determine the father of the child. The CSEA will then order all parties to submit to genetic testing and will issue an administrative paternity order based on the outcome of the genetic test. For a paternity order to be established, the test must show at least a 99% probability of fatherhood.
- Court Order: If either party fails to submit to the administrative process, the CSEA may request the local common pleas court to determine the issue of paternity.

For additional information, refer to CSPM (5101:12-40 Paternity Establishment)

Establishment of Child Support Orders

If a person does not already receive support, the child's parent, guardian, legal custodian, or the person with whom the child lives (considered the residential parent) can contact the CSEA for assistance in obtaining an order for the payment of child support and health care for the child(ren).

Support orders can be established administratively by the CSEA without going to court. The CSEA will proceed to court if a child support order cannot be established administratively.

To determine the amount of support a parent is required to pay, the CSEA or the court use the "Ohio Child Support Guidelines". Both parents must provide verification of income and other information (such as health insurance details). As a part of the child support order, the CSEA is responsible for establishing and enforcing medical support provisions.

For additional information, refer to CSPM (5101:12-45 Support Establishment)

Establishment of Medical Support Orders

Medical support is a provision of a support order that may include some or all of the following: providing private health insurance coverage for the child or reporting available health insurance coverage; paying cash medical support; sharing responsibility for the child's uncovered health care expenses; or paying a specified dollar amount determined by the court for health care expenses that have been or will be incurred

In compliance with federal regulations, The Ohio Revised Code continues to require all child support orders to order the obligor and/or obligee to obtain and/or maintain available private health insurance coverage that is reasonable in cost, and adds the requirement in all child support orders for the obligor to pay cash medical support during any period when the child is not covered by private health insurance as ordered in the child support order.

In order for a person to be ordered to provide private health insurance coverage for the child, the private health

be ordered to provide private health insurance coverage for the child.

For additional information, refer to CSPM (5101:12-47 Establishment of Medical Support Provisions)

Enforcement of Medical Support Orders

The CSEA is required to send a National Medical Support Notice to the employer of the medical insurance obligor (MI Obligor) when new or changed employment occurs. This federally required notice is designed to help obtain health insurance for children for whom there are medical support orders. The employer must send the NMSN to the health plan administrator in 20 business days, unless the employer doesn't provide insurance. The health plan administrator will enroll the children 20 business days after receiving the NMSN, unless there is a waiting period or there is more than one health insurance plan option. In those cases, enrollment takes place when the waiting period ends or the plan option is selected.

For additional information, refer to CSPM (5101:12-57 Enforcement of Medical Support Provisions).

Change to a Child Support Order (Review and Adjustment of Child Support Orders)

Either parent or guardian can ask for a review of the order. Child support orders can be reviewed every 36 months from the date the order was established or the date of the last review. Some orders can be reviewed sooner than the required time frame if certain circumstances are met.

"Review" means that a caseworker looks at both parties' income information to see if child support should be changed or if medical support provisions should be added or changed.

"Adjustment" means an upward or downward change in the amount of child support based on the application of the Ohio guidelines. It also means adding or changing provisions for the child(ren)'s health care needs..

For additional information, refer to CSPM (5101:12-60-05 through 12-60-05.6)

Enforcement of an Order

Whenever a support order is initiated or modified, a general provision requires any payor of a non-residential parent to withhold a specified amount to be applied to the child support order. Income withholding is part of a support order and established at the time the order was issued. This can change over the lifetime of the order depending on the types of income available for withholding, the work status of the parent paying support, and the availability of assets to pay the child support obligation.

Income withholding is the best enforcement method for the collection of ordered child support. This method is mandatory and applies to almost all types of income--not just wages. The word "income" includes, but is not limited to:

- personal earnings
- workers' compensation payments
- unemployment compensation benefits
- pensions
- annuities
- allowances
- private or governmental retirement benefits
- disability or sick pay
- insurance proceeds
- lottery prize awards

- any form of trust fund or endowment
- lump-sum payments
- assets in a financial institution
- any other payment in money.

Tax Offset is an enforcement method for the collection of federal and/or state tax refunds of the non-residential parent to satisfy past-due child support (arrears).

It is the responsibility of the CSEA administering the order to monitor payment of the obligation. If payment of the current obligation falls behind, there are a variety of measures to collect past-due support.

Examples of other measures that **do not** require court action include:

- Credit reporting
- Driver's and Professional license suspension
- Increase in the amount of income withholding to pay arrears
- Financial Institution Data Match (FIDM)

If the non-residential parent has no income or assets, the CSEA can get an order requiring the parent to seek work.

For additional information, refer to CSPM (5101:12-50 Enforcement of the Support Order and 5101:12-55 Enforcement of the Support Order Based on Finding of Default)

If an individual fails to comply with a required action and enforcement by a court becomes necessary, the court can hold the person in contempt. Contempt penalties can increase with each offense and include fines and/or jail time or other remedies that the court finds appropriate. Some of the reasons a person can be cited for contempt are:

- Disobeying a judgment or order of the court
- Failure to obey a subpoena or refusal to answer as a witness
- Failure to appear in court as required
- Failure to submit to genetic testing
- Failure to comply with the provisions of a child support order

Child support can also be enforced by the use of criminal statutes. The state statute in Ohio provides for criminal penalties, including fines and/or a jail or prison sentence, depending on the length of time of the non-payment.

Federal law also provides for criminal non-support to be prosecuted, if certain criteria are present. For a misdemeanor federal offense, the non-payment must be willful, the obligation must be unpaid for at least one year or be greater than \$5,000, and the offender and child must reside in different states. Possible penalties for this offense include imprisonment for up to six months and/or a fine, and mandatory restitution of the total unpaid support obligation.

Uniform Interstate Family Support Act

Cases involving parties who live in different states (or countries) can have their cases administered using the UIFSA provisions of Ohio law. The CSEA can initiate interstate support actions for an individual living in Ohio, and can take support actions in response to a request from another states (or foreign government).

For additional information, refer to CSPM (5101:12-70 Interstate Actions)

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

Collection and Disbursement

Child Support Payment Central (CSPC) was developed by the Ohio Department of Job and Family Services (ODJFS), Office of Child Support (OCS), in response to Federal legislation mandating the implementation and operation of a state disbursement unit (SDU) for collecting and disbursing child support payments. All child support payments must be processed by CSPC.

All payments are sent to a centralized lockbox (Post Office Box). The CSPC lockbox uses state-of-the-art equipment to image and process payments. All payments with valid posting information are processed on the same day they are received and within the 2 business day federal requirement. Payments are disbursed to the obligee either by first class mail, direct deposit, or the Ohio e-QuickPay Debit MasterCard.

Although some payments with invalid posting information are able to be researched and processed in the same day, others are transitioned to the exception handling section. This section attempts to resolve all "unpostable" payments by the end of the fifth business day of its receipt in CSPC. In doing so, they work closely with county Child Support Enforcement Agencies (CSEAs), individual obligors, and the employer community. If they are unable to obtain sufficient posting information, payments are then referred to the ODJFS, OCS Payment Analysis and Account Reconciliation (PAAR) unit.

PAAR is responsible for researching unpostable payments until they are resolved. They too, work closely with CSEAs, individual obligors, and the employer community. PAAR also handles financial corrections and account reconciliation.

For additional information, refer to CSPM (5101:12-80 Collections and Disbursements).

Termination of Services

A CSEA will only terminate services on a case after every reasonable effort has been made to establish or enforce the order. The CSEA will notify you in writing 60 calendar days before terminating services on the case. However, even if a case has services terminated by the CSEA, it does not necessarily end the non-residential parent's obligation to pay any outstanding back-support (arrearages) or eliminate the person's punishment for failing to comply with the order. A case where services have been terminated can be reopened at any time if new information is provided.

For additional information, refer to CSPM (5101:12-10-70 Termination of Services)**Termination of the Support Order**

Reasons why a support order can terminate include, but are not limited to:

- The child attains the age of majority and no longer attends an accredited high school on a full-time basis;
- The child's death;
- The child's marriage;
- The child's emancipation;
- The child's enlistment in the armed services when the child no longer attends an accredited high school on a full-time basis;
- The child's deportation;
- A change of legal custody of the child;
- The child's adoption;

The residential parent of a child must notify the CSEA of any reason why the support order should terminate. The non-residential parent may notify the CSEA of any reason why the child support order should be terminated.

For additional information, refer to CSPM (5101:12-60-50 Termination of Support)

Related Services that a CSEA is Unable to Provide

Visitation	This is an area that is determined by the parents and the court. The CSEA does not get involved in the resolution of visitation issues.
Custody	The CSEA's primary responsibility is to respond to applicant requests to establish support for a child in the applicant's ongoing care. The CSEA is not involved in the resolution of custody issues.
Divorce	Any divorce actions, including property settlements, must be undertaken by a private attorney. However, once those actions are completed, the CSEA will assist by administering services to enforce an order.
Alimony (spousal support) Establishment	The CSEA will not pursue the <u>establishment</u> of alimony, which requires the services of a private attorney. However, it is the responsibility of a CSEA to <u>administer</u> the order for alimony-only cases following a divorce, alimony without child support (if it was court ordered), or alimony as a separate order from the child support.
Putative Father Registry	The registry became effective for children born on or after January 1, 1997 and allows a man who believes he may have fathered a child to establish his right to be notified of adoption-related hearings. His registration entitles him to notification whether or not the birth mother names him as biological father. A man may register anytime prior to the birth of the child, but no later than thirty days after the birth.
First-time Pregnant Women	A IV-D case may not be opened for a pregnant woman with no other children.

III. Program Funding

OAC 5101:12-1-50 Program Funding, Effective Date: June 15, 2006

(A) Funding for allowable IV-D expenditures.

(1) Federal financial participation (FFP) at the applicable matching rate is available for reimbursement of allowable expenditures, as described in 45 C.F.R. 304, incurred in the provision of IV-D services. The FFP matching rate is a variable percentage set by federal law. The child support enforcement agency (CSEA) receives FFP in the administrative advance through the Ohio department of job and family services, as outlined in rule 5101:9-7-02 of the Administrative Code.

(2) To fund the portion of allowable IV-D expenditures not reimbursed through FFP (hereafter referred to as the non-federal share), the CSEA may use: (a) State appropriated funds known as the state allocation; (b) Federal incentives as described in rules 5101:12-01-54 and 5101:12-01-54.1 of the Administrative Code; (c) Funds appropriated by the county commissioners from the county general fund; and (d) Processing charges collected on non-IV-D cases.

(3) The portion of the non-federal share not met by state funds or federal incentives is designated as the county share or county obligation on the quarterly child support administrative fund reconciliation, described in rule 5101:9-7-02 of the Administrative Code. Federal regulations mandate the permissible sources from which the non-federal share can be supplied:

(a) Public funds, other than those derived from private resources, used by the CSEA for its IV-D child support enforcement program may be considered as the non-federal share in claiming federal reimbursement under the following conditions: (i) The funds are appropriated directly to the CSEA; or (ii) The funds are of another public agency and are treated as follows:

(a) Transferred to the CSEA and are under the CSEA's administrative control; or (b) Certified by the contributing public agency as representing expenditures under the state's IV-D plan, subject to the limitations of this rule.

(b) Public funds used by the CSEA for its IV-D child support enforcement program may not be

considered as the non-federal share in claiming federal reimbursement under the following conditions: (i) The funds are federal funds, unless authorized by federal law to be used to match other funds; or (ii) The funds are used to match other federal funds.

(c) Funds treated as IV-D program income pursuant to rule 5101:12-10-40.1 of the Administrative Code may not be considered as the non-federal share in claiming federal reimbursement.

(B) Funding for expenditures for which FFP is not allowable.

(1) Expenditures for a IV-D case for which FFP is not allowable are described in 45 C.F.R. 304. In addition, FFP is not allowable for any support enforcement program service provided to a non-IV-D case.

(2) The CSEA is responsible for all expenditures for which FFP is not allowable.

(3) For expenditures for which FFP is not allowable, the CSEA may use: (a) Funds appropriated by the county commissioners from the county general fund; and (b) Funds collected on non-IV-D cases for: (i) Processing charges; (ii) Interest; or (iii) Copying charges.

OAC 5101:9-6-30 Child support performance incentive payments. Effective: 03/01/2008

This rule was revised 10/26/09. See revised rule below.

(A) This rule describes the distribution of local child support enforcement agency (CSEA) performance incentives from the Ohio department of job and family services (ODJFS). The process described in this is effective October 1, 2007.

(B) Incentive payments are based on ODJFS estimates of the amount of incentives Ohio will receive from the federal office of child support enforcement during the federal fiscal year (FFY) as described in rule 5101:12-1-54 of the Administrative Code.

The amount of federal incentives distributed to the state is an estimated amount. The actual amount of federal incentives earned by the state is unknown until the end of the federal fiscal year (FFY) and completion of calculations for the state reliability audit. The final, reconciled, amount includes necessary adjustments resulting from previous overpayments or underpayments in federal incentives.

The exact amount of incentives is determined during an annual incentive reconciliation at the end of the federal fiscal year (FFY) and ODJFS makes necessary adjustments to the incentive allocation.

(C) Nonfederal share and federal incentives.

(1) The CSEA is responsible for providing the nonfederal share of allowable administrative expenditures incurred in the administration of the Title IV-D program. The state child support allocations are used to assist in meeting the nonfederal share required of the CSEA to earn federal reimbursement.

Public funds, other than those derived from private sources, as described in rule 5101:12-1-50 of the Administrative Code may be considered as the nonfederal share. Funds treated as Title IV-D program income pursuant to paragraph (A)(3)(c) of rule 5101:12-1-50 of the Administrative Code may not be considered as the nonfederal share.

(2) The nonfederal share is one or more of the following: (a) State child support allocations; (b) Incentives earned on medical support payments; (c) Non Title IV-D interest or fees; and/or (d) Local general funds appropriated by the county commissioners.

(D) ODJFS shall retain funds from the federal incentives described in rules 5101:12-1-54 and 5101:12-1-54.1 of the Administrative Code to reimburse ODJFS for: (1) Fees charged to the state for successful internal revenue service (IRS) offsets; and (2) IRS adjustments resulting from injured spouse claims or amended tax returns.

(E) A CSEA may be subject to a hold back from its maximum incentive potential as described in rule 5101:12-1-54.1 of the Administrative Code. The final reconciled payment includes necessary adjustments based upon previous incentive overpayments or underpayments to ODJFS from the federal government pursuant to 45 C.F.R. 305 (October 1, 2005).

(F) Beginning with January 2008, one-twelfth of the estimated amount of annual incentives is distributed to the CSEA each month via electronic funds transfer (EFT) along with the normal draw of funds described in rule 5101:9-7-02 of the Administrative Code. Each CSEA receives a monthly adjustment letter stating the amount deducted for state Title IV-D expenditures as described in paragraph (D) of this rule.

(G) In accordance with section [5101.23](#) of the Revised Code and federal regulations at 45 C.F.R. 305.35 (October 1, 2005), the CSEA shall spend funds only for allowable Title IV-D expenditures unless approval is received from the federal department of health and human services. Expenditures are reported on the JFS 02750 "Child Support Administrative Fund Monthly Financial Statement" (rev. 10/2005).

The CSEA is responsible for administrative expenditures not allowable under the Title IV-D program, including, but not limited to, expenditures related to cases that are not Title IV-D eligible.

OAC 5101:9-6-30 Child support performance incentive payments. Effective: 10/26/2009

(A) The child support enforcement agency (CSEA) is responsible for providing the nonfederal share of allowable administrative expenditures incurred in the administration of the Title IV-D program. This rule describes the distribution and allowable use of CSEA performance incentives received by a CSEA, including the timeframes and process by which a CSEA may use those incentives as the nonfederal share. Other funds that may be used as the nonfederal share include public funds, other than those derived from private sources, incentives earned on medical support payments, and funds from additional sources described in rule 5101:12-1-50 of the Administrative Code.

(B) Federal child support incentive distribution. (1) The initial amount of federal incentives the United States department of health and human services (HHS) distributes to the state is an estimated amount. The actual amount earned by the state is unknown until the end of the federal fiscal year (FFY) and completion of calculations for the state reliability audit. The final reconciled amount includes necessary adjustments resulting from previous incentive overpayments or underpayments to the Ohio department of job and family services (ODJFS) from the federal government pursuant to the processes described at 45 C.F.R. part 305. (2) Incentive payments distributed by ODJFS to the CSEA are based on estimates of the amount of incentives Ohio will receive from HHS during the FFY as described in rule 5101:12-1-54 of the Administrative Code. (3) ODJFS may retain funds from the federal incentives described in rules 5101:12-1-54 and 5101:12-1-54.1 of the Administrative Code to reimburse ODJFS for: (a) Fees charged to the state for successful internal revenue service (IRS) offsets; and (b) IRS adjustments resulting from injured spouse claims or amended tax returns. (4) The exact amount of incentives is determined during an annual incentive reconciliation at the end of the FFY and ODJFS makes necessary adjustments to the incentive allocation. (5) A CSEA may be subject to a hold back from its maximum incentive potential as described in rule 5101:12-1-54.1 of the Administrative Code. At the close of the federal fiscal year, a comparison is made between the estimated federal incentives and the actual federal incentives earned by the state (a) If the estimated amount exceeds the actual amount earned by the state and a deficiency exists, ODJFS will adjust the CSEA allocation in the succeeding months. (b) If the actual amount earned exceeds the estimated amount and a surplus exists, ODJFS will make a onetime payment to the CSEA through the administrative advance process.

(C) Federal child support incentive use. (1) In accordance with section [5101.23](#) of the Revised Code and 45 C.F.R. 305.35, the CSEA shall spend funds only for allowable Title IV-D expenditures. A request to spend incentives on activities not eligible for funding under the Title IV-D program may be submitted to ODJFS. ODJFS will review the request and may submit the proposal, as appropriate, to HHS for approval. (2) The

American Recovery and Reinvestment Act of 2009 (ARRA) temporarily reverses a provision in the Deficit Reduction Act of 2005 (DRA) that ended the practice of providing federal matching funds for the state expenditure of child support incentive payments. Incentives used for Title IV-D expenditures from October 1, 2008, through September 30, 2010, may be used as the nonfederal share. (3) Under ARRA and DRA, federal child support incentives expended during FFY 2008 or beginning with FFY 2011, are not eligible for additional federal funds and cannot be used as the nonfederal share. (4) Title IV-D expenditures paid with incentives are reported on the JFS 02750 "Child Support Administrative Fund Monthly Financial Statement" (rev. 10/2005) using coding established by ODJFS for that purpose.

(D) Federal reimbursement for incentive expenditures. (1) ODJFS will receive federal financial participation (FFP) based on incentive funds used during FFY 2009 and FFY 2010, including incentives earned and not spent in prior years. (2) The federal office of child support enforcement will compute the FFP share of incentives used for Title IV-D expenditures at sixty-six per cent and issue an award in that amount to ODJFS. (3) The CSEA share of federal participation at sixty-six per cent will be returned to the CSEA for the purpose of carrying out child support enforcement program activities under Title IV-D. (4) ODJFS will distribute the FFP to the CSEA in the quarter following the reporting quarter.

See also OAC 5101:12-1-54 & OAC 5101:12-1-54.1 for additional information on incentives.

OAC 5101:9-6-80 State Child Support Allocations Effective: 10/15/2008

(A) The state child support allocations represent one hundred per cent state funds. The state child support allocations are to assist in provision of the non federal share of allowable administrative program expenditures incurred in administration of the Title IV-D program. Additional non federal share of funds is supplied by funds appropriated by the county commissioners from the county general fund or non Title IV-D program income and non Title IV-D fees.

(B) State child support allocations are distributed to the child support enforcement agency (CSEA) designated by the board of county commissioners pursuant to section 3125.10 of the Revised Code. Failure to comply with the requirement of operating a single Title IV-D child support enforcement agency will result in the county not receiving state child support allocations.

(C) The state child support allocations are made up of the state child support match and the office of child support (OCS) incentive match reduction funding. Allocation methodology for this funding is outlined in paragraphs (G) and (H) of this rule. The state child support match allocation and the OCS incentive match reduction allocation are linked. On a state fiscal year (SFY) basis, if the state child support match allocation is exceeded, draw requests and expenditures will automatically link to the OCS incentive match reduction allocation.

(D) The time period for the state child support allocations is the SFY, July first through June thirtieth.

(E) The Ohio department of job and family services (ODJFS) will notify the CSEA of the amount of state child support allocations in accordance with rule 5101:9-6-02 of the Administrative Code. The CSEA, upon acceptance of the allocations or reallocation of state funds, agrees with the terms and conditions set forth in the notice of funds sent with the initial allocation amounts.

The CSEA may request additional funds or release funds for redistribution no later than the end of January via the process described in rule 5101:9-6-02 of the Administrative Code.

(F) Child support expenditures that can be properly charged against the state child support allocations are the non federal share of the CSEA's allowable expenses incurred in administration of the child support program. The CSEA reports expenditures on the automated JFS 02750 "Child Support Administrative Fund Monthly Financial Statement" (rev. 10/2005).

(G) State funds appropriated as the state child support match shall be allocated to the CSEAs according to

the following methodology: (1) Each CSEA will be allocated a base amount of fifteen thousand dollars. (2) One-half of the remaining balance will be allocated according to children out-of-wedlock percentages. (a) The number of out-of-wedlock births for each county will be supplied by the statistical analysis unit of the Ohio department of health. The residence of the mother determines the state and county in which the birth is counted. (b) The number of out-of-wedlock births for each county will be divided by the statewide total to form a children out-of wedlock percentage for each CSEA. (3) The remaining balance will be allocated according to divorces and dissolutions with children percentages. (a) The number of divorces, dissolutions, and annulments with children will be supplied annually by the Ohio supreme court. (b) The number of divorces, dissolutions, and annulments with children for each county will be divided by the statewide total to form a divorces and dissolutions with children percentage for each CSEA.

(H) Effective July 1, 2007, state funds appropriated as the OCS incentive match reduction shall be allocated to the CSEAs according to the methodology used to calculate child support incentives as described in rule 5101:12-1-54.1 of the Administrative Code.

(I) The definitions, requirements, and responsibilities contained in rule 5101:9-6-50 of the Administrative Code are applicable to this rule.

IV. AOS Testing Considerations

Unlike other ODJFS programs, Child Support has a separate Child Support Random Moment Sampling cost pool and Form JFS 02750 financial reporting requirements. The following table shows the different ODJFS program, cost pools and financial reporting forms:

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

For an overview of requirements tested by program: see AOS spreadsheet, ODJFS list of program & applicable requirements.

ODJFS stressed that the Child Support Enforcement recipient’s information is confidential and auditors should follow established procedures to protect this information.

To determine the population for testing, auditors can request the County CSEA office download the population from SETS into an excel spreadsheet. Auditors should pull their sample and assess what stage in the process the case is in and determine if that is an allowable service under the program.

Auditors may see activity for Access & Visitation and Healthy Marriages grants. These monies are a separate funding stream and are not part of the CSEA IV-D funding. These are for services outside IV-D. These grants should be reported on the County’s schedule of federal awards expenditures under their applicable CFDA #'s. Per ODJFS, currently there are 7 counties receiving Access & Visitation monies. The Healthy Marriage grant is a 5 year demonstration grant that currently only Clark County is receiving. Auditors should be aware of these monies / activities for proper reporting on the schedule of federal awards and for eliminating these expenditures from the population for testing this program.

Note: To determine completeness of the special test and provision populations, the County JFS can run a report of all open cases during the audit period per the SETS system. This report can be streamlined to obtain the information needed.

From previous experience with the State region:

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

The county JFS was able to stratify the information in different modes to generate the population needed. For example, paternity, the parameters were set for strictly Paternity mode. For Enforcement of Support Obligations, the parameters were set for Enforcement/Locate mode, but not Interstate or Paternity mode. Medical was pulled from the same parameters as Enforcement. Interstate was pulled strictly from Interstate mode. Once the parameters were input, the agency would set if for only active cases and for the time period being audited. As a result, we were able to determine the total population for each strata. The only information on these pages is the case number.

V. Reporting in the Schedule of Expenditures of Federal Awards

The County federal schedule will report administrative and other expenditures (whether charged directly to the program or allocated through a cost allocation plan or cost pool).

Counties should use the Quic+ *Federal CFDA Detail Schedule* report for the amounts to report on the Federal Schedule. This report can be generated by program and for required dates (not just by state fiscal year). The state GRF monies also appear on this report but should not be reported on the Federal Schedule. The report includes Draw Payments (Receipts) and Expenditures. The non-GRF expenditures should be reported on the Federal Schedule and should reconcile to the CFIS *Schedule 1.F State Expenditure Reconciliation* report by Federal component type. The state receipts per the Quic+ *Federal CFDA Detail Schedule* report should reconcile to the CFIS *Schedule 1.F State Expenditure Reconciliation* report by State component type. The local receipts per the Quic+ *Federal CFDA Detail Schedule* report should reconcile to the CFIS *Schedule 1.F State Expenditure Reconciliation* report by Local component type and the CFIS *Schedule 1.D Statement of Net Expenditures by Source* report.

Per ODJFS, all grants are reported on a cash basis and should be presented likewise on the schedule of federal awards expenditures.

To ensure expenditures are reported accurately by CFDA#, auditors should also determine how multi-agency contract expenditures are recorded on the schedule of federal awards expenditures.

Expenditures are reimbursed to County JFS based on State and Federal allocation percentages. For example, if the Federal share is 64% then the County JFS would be reimbursed 64% from Federal share and 36% from State share or local match. This allocation is programmed into CFIS so auditors are not required to test the allocation; however, rather should be aware of this when testing the schedule of federal awards expenditures.

The local government should report federal expenditures for CFDA #93.563. A-133.310(b)(2) requires including pass-through numbers (if any) on the Schedule. However, OAKS is not currently assigning pass-through numbers. Although we suggest most local governments continue to create special cost centers to separately summarize amounts for each fiscal year, the CFIS program should provide this information in sufficient detail for federal schedule testing/reporting. The Schedule should also report the following for this program:

- CFDA number: 93.563
- Grant Title: Child Support Enforcement
- Disbursements for each pass-through number (i.e., cost center).

For 2009 risk assessment purposes, the County JFS programs should not be considered tested in the last two years even if testing was performed at the County JFS for the State JFS audit. The scope and materiality are vastly different between the state and county government audits. However, the results of testing can be considered when evaluating the risk and procedures for the programs.

ARRA

As noted previously, the American Recovery and Reinvestment Act (ARRA) temporarily reverses a provision in the Deficit Reduction Act of 2005 that ended the practice of providing federal matching funds for the state expenditure of incentive payments. The new ARRA provision is effective October 1, 2008 through September 30, 2010. ODJFS will receive the additional match funding based on incentive funds used during federal fiscal year (FFY) 2009 and FFY 2010 (October 1, 2008 through September 30, 2010), including incentives earned and not spent in prior years. Incentive payments expended during FFY 2008 (October 1, 2007 through September 30, 2008) are not eligible for additional federal funds. See Fiscal Procedure letter (FAPL) No. 14

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

dated 5-10-09 in Matching Section G.

If the County received ARRA funding for Child Support, auditors should report ARRA monies on the Federal Schedule as part of CFDA # 93.563 (or other CFDA if designated by the Federal Government), review the requirements for program specific requirements and attached the ARRA addendum for testing.

Per the ODJFS Stimulus Projects website (1/11/10):

Stimulus Benefits for the Child Support Program

The federal government awards incentive money to state child support programs based on five performance categories. The more money states earn by achieving performance goals, the more money they have to provide child support services for children and families. Under a provision of the Recovery Act, the federal government will temporarily allow state child support programs to use their federal incentive dollars as a match to draw down additional federal reimbursement funds.

During the two years that this provision will be in effect, it is expected that Ohio will earn approximately \$55 million in federal child support incentive money. With the federal match, that \$55 million effectively becomes \$161 million, which the county child support enforcement agencies (CSEAs) can use to provide all their usual services, including child support collection, distribution, paternity testing, and financial and medical support-enforcement services.

These additional funds will provide relief for Ohio's CSEAs as they continue to deliver critical child support program services. It will also help the state and CSEAs continue to operate cost-effectively while maximizing performance.

For more information about how the Recovery Act will benefit state child support programs, visit <http://www.hhs.gov/recovery/programs/cse/incentivesimpact.html>. For more information about Ohio's Child Support Program, go to http://jfs.ohio.gov/families/child_support/index.stm.

V. Information systems, including a description on how they operate (i.e. SETS, CRIS-E, CORE, CFIS, QUIC+, PET)

Computer Systems

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

- SETS - ODJFS developed the automated Support Enforcement Tracking System (SETS) to effectively manage the Child Support Enforcement Program in order to meet the requirements mandated by the Family Support Act of 1988 (and other mandated or revised requirements implemented since 1987). Ohio operates a county-administered, state-supervised social services system which is maintained and operated through 88 local Child Support Enforcement Agencies (CSEA). The main objective of SETS is to provide an online, central database with complete federally-mandated child support functionality distributed to each of its 88 CSEA offices. More information is available at <http://jfs.ohio.gov/Ocs/setsinfo.stm>.
- CRIS-E (Ohio's eligibility information system) – Child Support does not utilize CRIS-E but uses SETS.
- CORE - CORE was used by Counties to report their expenditure (2827, 2750, and 2820) and RMS activity to ODJFS via upload or e-mail. ODJFS establishes due dates for the various reports. ODJFS sends quarterly totals for CORE back to the Counties for verification. (**Note:** CFIS replaced CORE however, County JFS office may refer to it so this brief description of CORE is for auditor's information)
- CFIS – (County Finance Information System) July 1, 2008 County JFS finance offices began using CFIS (replaced CORE) which drives the financial reporting (Forms 2827, 2750, and 2820, RMS activity, etc). The current and archived CFIS information can be accessed at the County JFS site. All information flows from OAKS through CFIS and down to the county system. The County inputs grant information into the county system (QUIC+) which is uploaded into CFIS. Each grant is coded separately. ODJFS has a spreadsheet for coding in CFIS and a crosswalk from CORE to CFIS.

ODJFS updates this information each year. QUIc+ is a Maximus system that integrates with CFIS. ISA will be testing CFIS and Quic+ (including the RMS System used to track Random Moment Sampling activity and allocation of program expenditures).

The OAKS general controls portion tested as part of the Statewide SAS 70, however, will continue to be on a state fiscal year (6/30). The state region will issue an Audit Division Advisory Memo (ADAM) explaining the work performed, as well as possible user control considerations.

The initial period for review and testing of CFIS will be July 1, 2008 through September 30, 2009 to be used for county financial audits for the calendar year ending 12/31/2009.

The period will be October 1 through September 30th for subsequent years. This also includes the manual controls tested by the financial auditors.

- As noted above, County JFS fiscal offices use QUIc+ to record their expenditures. However, this system does not link the information into the county auditor's expenditure ledgers. The counties can manually reenter the information or they may use a computer program for this upload process, such as PET (Maximus Program). The State Region does not look at PET (or similar programs). Auditors will need to test the information in the PET system to the amounts recorded in the County Auditor's records for accuracy.

NOTE: ODJFS is not granting auditors of County JFS programs direct access to these systems. ODJFS is encouraging County JFS offices to cooperate with audit requests. Auditors will either receive the information from the County JFS or the County JFS office may have one of their employees walk through the system information. Due to the information that may be received, auditors should follow established procedures for guarding confidential information. Auditors should determine at the pre-audit conference, what process should be followed regarding how information will be received and returned.

A. Activities Allowed or Unallowed

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether Federal awards were expended only for allowable activities.

Compliance Requirements

Important Note: For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within 2 CFR 225 allowable cost guidelines. 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 225 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 2 CFR 225 to determine if pension costs (an object cost classification) are permissible. (2 CFR 225, Appendix B states they are allowable, with restrictions, so we would need to determine if the auditee met the restrictions.) Both the client and we should look at 2 CFR 225 even if the grant agreement includes a budget by object code approved by the grantor agency.

1. Activities Allowed

Consistent with the approved Title IV-D plan, allowable activities include the following. A more complete listing of allowable types of activities, with examples, as appropriate, is included at 45 CFR sections 304.20 through 304.22 for the State program and 45 CFR sections 309.145(a) through (o) for the tribal program.

a. *State programs*

- (1) Parent locator services for eligible individuals (45 CFR sections 304.20(a)(2), 304.20(b), and 302.35(c); 45 CFR section 309.145).
- (2) Paternity and support services for eligible individuals (45 CFR section 304.20(a)(3); 45 CFR sections 309.145(b) and (c)).
- (3) Program administration, including establishment and administration of the State plan/tribal plan, purchase of equipment, and development of a cost allocation system and other systems necessary for fiscal and program accountability (45 CFR sections 304.20(b)(1) and 304.24; 45 CFR sections 309.145(a)(1) and (a)(2), 309.145(h), 309.145(i), and 309.145(o)).
- (4) Establishment of agreements with other State, tribal, and local agencies and private providers, including the costs of cooperative arrangements with appropriate courts and law enforcement officials in accordance with the requirements of 45 CFR section 302.34 , including associated administration and short-term training of staff (45 CFR section 304.21(a); 45 CFR sections 309.145(a)(3)(iii) and 309.145(m)).

- b. Necessary expenditures for support enforcement services and activities provided to individuals from whom an assignment of support rights (as defined in 45 CFR section 301.1) is obtained (45 CFR sections 304.20, 304.21, and 304.22).

2. Activities Unallowed

a. *State and tribal programs*

The following costs and activities are unallowable pursuant to 45 CFR section 304.23 and 45 CFR section 309.155:

- (1) Activities related to administering other titles of the Social Security Act.
- (2) Construction and major renovations.
- (3) Any expenditures that have been reimbursed by fees or costs collected.
- (4) Any expenditures for jailing of parents in child support enforcement cases.
- (5) Costs of counsel for indigent defendants in IV-D actions.
- (6) Costs of guardians *ad litem* in IV-D actions.

b. *State programs*

The following costs and activities are unallowable pursuant to

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

A. Activities Allowed or Unallowed

45 CFR section 304.23:

- (1) Education and training programs other than those for Title IV-D agency staff or as described in 45 CFR section 304.20(b)(2)(viii).
- (2) Any expenditures related to carrying out an agreement under 45 CFR section 303.15.
- (3) Any costs of caseworkers (45 CFR section 303.20(e)).
- (4) Medical support enforcement activities performed under cooperative arrangements/agreements (45 CFR sections 303.30 and 303.31).
- (5) The following costs associated with cooperative arrangements with courts and law enforcement officials are unallowable: service of process and court filing fees unless the court or law enforcement agency would normally be required to pay the costs of such fees; costs of compensation (salary and fringe benefits) of judges; costs of training and travel related to the judicial determination process incurred by judges; office-related costs, such as space, equipment, furnishings and supplies incurred by judges; compensation (salary and fringe benefits), travel and training, and office-related costs incurred by administrative and support staffs of judges; and costs of cooperative agreements that do not meet the requirements of 45 CFR section 303.107 (45 CFR section 304.21(b)).

(Source: 2009 OMB Compliance Supplement)

Program Specific Requirements

RMS

OAC 5101:9-7-23 child support random moment sample time study (effective 4/11/08) [This rule designated an Internal Management Rule] – **Auditors should refer to this section at <http://codes.ohio.gov/oac/5101%3A9-7-23> for additional information on Child Support RMS.**

- Per this OAC code, The child support random moment sample (CSRMS) time study is designed to measure the activity of county child support enforcement agency (CSEA) staff related to child support program activities. Data collected from these time studies are used to calculate allocation statistics used to distribute cost pool expenditures to the child support program. The percentages are used by the Ohio department of job and family services (ODJFS) to distribute administrative funds reported on the JFS 02750 "Child Support Administrative Fund Monthly Financial Statement" (rev. 10/2005), as detailed in rule 5101:9-6-83 of the Administrative Code.

The RMS forms are time studies which are designed to measure county staff activity regarding child support programs. The RMS studies are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from the staff rosters submitted by the county RMS coordinators and determines the sampling times. The RMS system creates the ODJFS forms for the county RMS coordinator who then administers the forms and enters the results into the RMS module within the county's Maximus system. Data collected from these time studies are used to calculate the percentage of time spent on the program. The percentages are used by the County agency system to allocate expenditures reported on the ODHS 02750 financial statements.

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

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

For specific questions on the RMS process, there is an RMS manual (dated 2/2008) available at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/RMS/RMS%20Manual%20-%20February%202008.pdf>.

A. Activities Allowed or Unallowed

RMS sample sizes required per OAC:

RMS Type	Agency Size	# of Observations
Income Maintenance (IMRMS)	Metro	Minimum of 2,300
Income Maintenance (IMRMS)	Suburban & Rural	Minimum of 354
Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct	1-10 Participating Positions	Minimum of 33 per worker
Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct	11-74 Participating Positions	Minimum of 354
Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct	75 or more Participating Positions	Minimum of 2,400
Child Support (CSRMS)		Minimum of 354

OAC 5101:12-1-60 Expenditures Eligible for Federal Financial Participation Reimbursement - Effective Date: February 15, 2009. Most current prior effective date: September 1, 2007.

(A) This rule describes the support enforcement program services and IV-D services for which a child support enforcement agency (CSEA) may request federal financial participation (FFP) reimbursement.

FFP reimbursement is available for reasonable and necessary CSEA expenditures for services and activities provided in a IV-D case and properly attributable to the operation of the support enforcement program. FFP reimbursement principles are based upon the general principles for determining allowable costs described in circular A-87 (rev. 5/2004) of the office of management and budget. Circular A-87 is available at <http://www.whitehouse.gov/omb/circular/a087/a872004.html>. 2 C.F.R., subtitle A, chapter II, part 225 (8/31/2005) (circular A-87 of the federal office of management and budget). The current FFP reimbursement rate is sixty-six per cent.

(B) The following definitions apply definition applies to this rule and its supplemental rule:

"Arrest" means taking an individual into physical custody pursuant to a court-issued process and transporting that person to the court that ordered his or her arrest. It does not include incarceration, arraignment, and other activities that may occur as the result of an arrest.

(1) "Arrest" means taking an individual into physical custody pursuant to a court-issued process and transporting that person to the court that ordered his or her arrest. It does not include incarceration, arraignment, and other activities that may occur as the result of an arrest.

(2) "Law enforcement official" means district attorneys, attorneys general, and similar public attorneys and prosecutors and their staff.

(C) CSEA expenditures for the following services are eligible for FFP reimbursement when provided in a IV-D case:

(1) Support enforcement program services, which include:

(a) Location services;

(b) Establishment of parentage;

(c) Establishment and modification of child support orders and medical support orders;

(d) Enforcement of support orders;

(e) Collection of support obligations; and

(f) Any other actions appropriate to child support enforcement, which include but are not limited to:

(i) Monitoring the progress of program development and operations and evaluating the quality, efficiency, effectiveness, and scope of support enforcement program services available in the county;

(ii) The establishment of all necessary IV-D contracts with a private providers or IV-D cooperative agreements with governmental agencies entity for the provision of

support enforcement program IV-D services where the IV-D contract or cooperative agreement is established in accordance with rules 5101:12-10-45 to 5101:12-10-45.7 5101:12-1-80 to 5101:12-1-80.4 of the Administrative Code;

A. Activities Allowed or Unallowed

- (iii) The direct cost of reasonable and essential short-term training provided to CSEA staff;
- (iv) The development and maintenance of fiscal and program records and reports required to be made to the Ohio department of job and family services;
- (v) Expenditures for general administrative costs (e.g., salaries, supplies, and equipment); and
- (vi) The establishment and maintenance of case records.

(2) IV-D services, which include:

- (a) Federal income tax refund offset submittals for the collection of support arrears;
- (b) Withholding of unemployment compensation for the payment of support;
- (c) Requests to the internal revenue service for the disclosure of taxpayer information for use in establishing and collecting support obligations;
- (d) Requests to the internal revenue service for the collection of delinquent support; and
- (e) Requests to use the U.S. district courts when another state has failed to enforce an Ohio court support order.

(3) The purchase of support enforcement program services and IV-D services when the services are purchased under a IV-D contract or cooperative agreement in accordance with rules 5101:12-10-45 to 5101:12-10-45.75101:12-1-80 to 5101:12-10-80.4 of the Administrative Code, including but not limited to:

- (a) Reasonable and essential short-term training of court and law enforcement staff assigned on a full- or part-time basis to support enforcement functions;
- (b) Service of process and court filing fees when the court or law enforcement agency would normally be required to pay the cost of such fees;
- (c) Costs incurred while making an arrest that is necessary to enforce a support obligation; and
- (d) Service of process fees, when the CSEA obtains written verification from the sheriff that the sheriff charges other agencies service of process fees; and
- (e) Sheriff's office personnel and equipment costs, when the costs are necessary to complete service of process activities.
- (d) Enforcement activities provided by a probation officer that target only individuals placed on probation for non-payment of child support and are specifically for the purposes of assuring regular and continuing payments of child support when such enforcement activities are not generally a part of a probation officer's routine of monitoring the whereabouts and activities of offenders.

(D) The CSEA shall comply with the rules set forth in division 5101:9 of the Administrative Code.

5101:12-1-60.1 Expenditures Ineligible for Federal Financial Participation Reimbursement. Effective Date: February 15, 2009. Most current prior effective date: September 1, 2007.

(A) This rule describes expenditures for which a child support enforcement agency (CSEA) shall not request federal financial participation (FFP) reimbursement.

(B) CSEA expenditures for which FFP reimbursement is not available include but are not limited to:

- (1) Support enforcement program services provided in a non-IV-D case.
- (2) Charges assessed to the CSEA by a court or clerk of court that are not uniformly assessed to another agency or official that uses the services of the court or clerk of court.
- (3) Purchased IV-D services that are not purchased in accordance with or do not meet the requirements of rules 5101:12-1-80 to 5101:12-1-80.4 of the Administrative Code.
- (4) The following charges assessed to the CSEA under a IV-D contract:
 - (a) Service of process and court filing fees unless the court or law enforcement agency would normally be required to pay the cost of such fees;

A. Activities Allowed or Unallowed

- (b) Costs of compensation (salary and fringe benefits) of judges;
- (c) Costs of travel and training related to the judicial determination process incurred by judges;
- (d) Office related costs, such as space, equipment, furnishings and supplies, incurred by judges;
- (e) Compensation (salary and fringe benefits), travel and training, and office related costs incurred by administrative and support staffs of judges.;
- (f) Service of process fees unless the CSEA obtains written verification from the sheriff that the sheriff charges other agencies service of process fees;
- (g) Sheriff's office personnel and equipment costs unless the costs are necessary to complete service of process activities;
- (h) Costs that do not meet the definition of "allowable cost," as defined in rule 5101:12-1-80 of the Administrative Code;
- (i) Costs that do not meet the definition of "reasonable cost," as defined in rule 5101:12-1-80 of the Administrative Code; and
- (j) Hearings, portions of hearings, or other activities related to:
 - (i) Visitation, custody, or change of custody;
 - (ii) Establishment of spousal support orders;
 - (iii) Enforcement of spousal support orders if no child support order exists for the same parties;
 - (iv) Property settlements; and
 - (v) Civil protection orders or domestic violence cases.
- (5) Education and training programs and educational services, except short-term training of CSEA staff.
- (6) Activities related to administering the following public programs:
 - (a) Ohio works first (OWF);
 - (b) Medicaid and state children's health insurance program;
 - (c) Social services that are provided pursuant to section 5101.46 of the Revised Code; and
 - (d) Old-age assistance, aid to the blind, and aid to the permanently and totally disabled.
- (7) Construction and major renovations.
- (8) Charges that have been reimbursed by recovered fees.
- (9) Functions performed by a caseworker who is also determining eligibility for OWF or performing social services functions pursuant to section 5101.46 of the Revised Code, unless alternative arrangements as described in 45 C.F.R. 303.20(e) (6/11/2003) have been approved by the office of child support (OCS) in the Ohio department of job and family services (ODJFS).
- (10) Medical support enforcement activities to pursue payments from a third party health insurer.
- (11) Costs for the use of the federal parent locator service in parental kidnapping, child custody, or visitation cases.
- (12) Costs for the incarceration of parents.
- (13) Costs of counsel for indigent defendants.
- (14) Costs of guardians ad litem.
- (15) Services the CSEA is not authorized to perform under the rules set forth in division 5101:12 of the Administrative Code

AOS Additional Testing Considerations

A. Activities Allowed or Unallowed

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

County testing will primarily consist of the following:

- Administrative expenses
- FTE/RMS/Cost pools
- Direct expenditures

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

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

More information regarding FTE reporting is available at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm>. This webpage has a "FTE Reporting" section however the instructions for completing the form are included in the "Forms" section with JFS 4290.

Allowable costs on FTE Report associated with Employees

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

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

Auditors will need to test both FTE reporting and RMS. The FTE reporting testing is included in this section due to its impact on the allocation of expenditures.

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

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that Federal awards are expended only for allowable activities.

Control Environment

- Management sets reasonable budgets for Federal and non-Federal programs so that no incentive exists to miscode expenditures.
- Management enforces appropriate penalties for misappropriation or misuse of funds.
- Organization-wide cognizance of need for separate identification of allowable Federal costs.
- Management provides personnel approving and pre-auditing expenditures with a list of allowable and unallowable expenditures.

Risk Assessment

- Process for assessing risks resulting from changes to cost accounting systems.
- Key manager has a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a Federal program and not be detected.

Control Activities

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

A. Activities Allowed or Unallowed	
<ul style="list-style-type: none"> • Accountability provided for charges and costs between Federal and non-Federal activities. • Process in place for timely updating of procedures for changes in activities allowed. • Computations checked for accuracy. • Supporting documentation compared to list of allowable and unallowable expenditures. • Adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause. • Adequate segregation of duties in review and authorization of costs. • Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining activities allowed. <p>Information and Communication</p> <ul style="list-style-type: none"> • Reports, such as a comparison of budget to actual provided to appropriate management for review on a timely basis. • Establishment of internal and external communication channels on activities allowed. • Training programs, both formal and informal, provide knowledge and skills necessary to determine activities allowed. • Interaction between management and staff regarding questionable costs. • Grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars available to staff responsible for determining activities allowed under Federal awards. <p>Monitoring</p> <ul style="list-style-type: none"> • Management reviews supporting documentation of allowable/unallowable activities. • Flow of information from Federal or State agency to appropriate management personnel. • Comparisons made with budget and expectations of allowable costs. • Analytic reviews (e.g., comparison of budget to actual or prior year to current year) and audits performed. 	
What control procedures address the compliance requirement?	WP Ref.
<p>Does the County JFS pay expenditures to the County via a CAP?</p> <p>How does the County ensure only applicable costs are included in the CAP?</p> <p>What procedures does the County JFS have in place to ensure they are only paying for allowable activities?</p> <p>What controls does the County JFS have to ensure costs are not paid through the CAP and directly to the County?</p> <p>What procedures does the County JFS have in place for only allowable costs input into Quic+ / CFIS?</p> <p>What procedures does the County JFS have to ensure administrative employees / costs are not reported as part of RMS, unless these employees provide direct services?</p> <p>How does the County ensure that:</p> <ul style="list-style-type: none"> • Employees are properly completing the RMS form; • RMS forms are distributed in a timely manner; • All RMS forms are accounted for and reference documentation to support the program and activity claimed; • Forms for absent employees are properly completed; and • Data from the RMS entered into the QUIc+ system matches the data on the RMS forms. <p>For combine agencies, how does the County ensure that:</p> <ul style="list-style-type: none"> • FTE allocations for the shared cost pool are correct; • Employees are assigned to the correct cost pool; and • Employees are completing the correct RMS form. <p>The ODJFS Guided Self-Assessment (GSA) requests County JFS offices to provide controls over activities allowed and allowable costs. Auditors should review the information provided by the County JFS for this assessment to help gain an understanding of the procedures in place.</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

A. Activities Allowed or Unallowed	
Suggested Audit Procedures – Compliance (Substantive Tests) (See also Section B procedures)	WP Ref.
<p>Direct Costs</p> <ol style="list-style-type: none"> 1) Identify (and document) the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. 2) When allowability is determined based upon summary level data (voucher summaries, etc.), perform procedures to verify that: <ol style="list-style-type: none"> 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 representative number of transactions and perform procedures (vouch, scan, etc.) 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. 5) If the client has made subawards under the program, select a representative number of awards and determine whether they were only approved for activities as identified in step 1 above. See also Section M. 6) Obtain management's explanation for any significant questionable expenditures/subawards. Analyze responses and obtain any additional documentation considered necessary. <p>CAP</p> <ol style="list-style-type: none"> 1) Summarize monthly payments to the County and review CAP for accuracy of payment. Ensure that payments made were for the current or prior period and they were within the current biennium. 2) Review CAP for reasonableness of County JFS expenditures. <p>FTE Reporting</p> <ol style="list-style-type: none"> 1. Determine if the number of FTE by program area category is consistent with the payroll in the previous quarter. 2. Pull a representative sample of employees and determine if they are reported in the correct program area category based on documentation. (i.e. job duties, job description, personnel file, employee interview, etc.) <p>RMS</p> <ol style="list-style-type: none"> 1. Determine RMS cost pools that require testing (i.e. Income Maintenance, Social Services, Child Support, Child Welfare). 2. Interview the RMS Coordinator. Document RMS coordinator name and date of interview. Document any weaknesses noted. Interview could include questions such as the following: <ol style="list-style-type: none"> a. Are you familiar with the RMS procedures summarized in the Administrative Procedures Manual? b. What is your role in the RMS process? c. When do you hand out RMS observation forms? <ol style="list-style-type: none"> i. Quarterly ii. Monthly iii. Weekly iv. Daily v. Other (explain) d. Who do you give these forms to? e. What do you do if you receive an RMS observation form for an employee who no longer 	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

A. Activities Allowed or Unallowed

- works in your office?
 - f. How do you ensure the forms are filled out correctly?
 - g. Have you received any special training or instructions on RMS procedures within the past 12 months?
 - h. How do you complete the RMS control sample? What is the purpose of the control sample.
3. For cost pools tested, determine if the RMS Coordinator monitored receipt of the Observation forms to ensure completeness, as evidenced by markings on the Observation listing.
4. Scan all 4 quarterly RMS Tabulation Reports to identify any indications of misuse or manipulation of RMS codes (could help determine which quarter to test in step 5):
- a. High instances of un-funded codes
 - b. Large variances (over 20%) in RMS coding between quarters
 - c. Distribution of RMS codes between programs
5. Obtain one quarter's original RMS forms for each population to be tested (i.e. Shared, Income Maintenance, Social Services, Child Support, Child Welfare)
- a. Select a representative sample of forms, test for the following attributes and note any exceptions.
 - i. Section 1 was completed properly - form includes a case number or other identifier or is marked 001
 - ii. Section 2 includes the activity, where applicable
 - iii. Determine if documentation exists to substantiate the claimed program and/or activity on the RMS sample form
 - iv. Preparer initialed any changes/alterations/amendments to the original form they completed. If employee has separated from the agency or is on an extended absence, the supervisor or the RMS coordinator may complete and initial the change and document the reason for substitution.
 - v. Unauthorized alterations (erasures, white-outs, etc.) Note: Only the individual completing the observation form may revise it if a mistake is identified. Therefore, changes should be initialed by the preparer. Also look for hits with no initials by the individual completing the form, multiple program and/or activities marked, etc.
 - vi. Employee designated on the form initialed the form
 - vii. Quality control sample forms were completed by the RMS Coordinator and initialed by the coordinator and employee
 - viii. No unauthorized or vacant positions were included in the RMS sample
 - ix. Trace to RMS Sample Reference List
 - b. Haphazardly choose forms marked with non-funded codes (997-999) to the RMS Reference List in Step 5 to determine if they were input into the RMS system accurately. (Funded codes tested in step 4.)
6. From the RMS sample in Step 4, select a sample of employees (no duplicates) and determine if RMS charge is supported
- a. Obtain payroll listing with job titles and compare to RMS forms completed
 - b. Interview case workers who participate in RMS. Document employee name and date of interview. Interview could include questions such as the following:
 - i. Are you familiar with the RMS procedures summarized in the Administrative Procedures Manual?
 - ii. What do you do when you receive and observation form?
 - 1. Complete immediately
 - 2. Hold until appropriate time
 - 3. Complete at my convenience
 - 4. Other (explain)
 - iii. When do you receive the RMS observation forms?

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

A. Activities Allowed or Unallowed	
<ul style="list-style-type: none"> 1. Quarterly 2. Monthly 3. Weekly 4. Daily 5. Other (explain) iv. What items need to be completed on the form? <ul style="list-style-type: none"> 1. What program you are working with 2. Activity code 3. Initials 4. Case number c. Prepare a narrative of job duties from observation and / or interview with employee d. Match job activities from RMS with job descriptions in personnel file e. If employee is an administrative or supervisory, determine whether they are appropriately completing the RMS forms <ul style="list-style-type: none"> i. Administrative support employees can participate in RMS if they provide direct services ii. Supervisory employees can participate in RMS if they provide direct services over 50% of the time <p>7. Obtain the County RMS Sample Reference List for that quarter. (This report is a recap from ODJFS of the RMS form information input into the system by the County JFS).</p> <ul style="list-style-type: none"> a) Determine if the required number of observations were performed b) Pull a representative sample for each population identified as funded codes (not 997-999). <ul style="list-style-type: none"> i. Trace information on the RMS Reference List matches the original RMS form ii. Where forms are missing, obtain data from the county RMS Reference List and have the county provide case documentation to support the claimed program activity. <p>Note: The last two columns of the county RMS Reference List includes the program and activity codes.</p> <p>Reminder: Auditors should not put confidential information in the current working papers and should follow established procedures for protection of confidential information.</p>	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>If Sections A & B are tested using the same sample, control deficiencies and/or noncompliance should be evaluated to determine whether they impact Activities Allowed or Unallowed or Allowable Costs/Cost Principle requirements.</p>	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p>	
<p>B. Assessment of Control Risk:</p>	
<p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p>	
<p>D. Results of Compliance (Substantive Tests) Tests:</p>	
<p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

Audit Objectives

State/Local Department or Agency Costs – Direct and Indirect

- 1) Obtain an understanding of internal control over the compliance requirements for State/local department or agencies costs, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the governmental unit complied with the provisions of 2 CFR 225 as follows:
 - a) Direct charges to Federal awards were for allowable costs.
 - b) Charges to cost pools used in calculating indirect cost rates were for allowable costs.
 - c) The methods for allocating the costs are in accordance with the applicable 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).
 - d) Indirect cost rates were applied in accordance with approved indirect cost rate agreements (ICRA), or special award provisions or limitations, if different from those stated in negotiated rate agreements.
 - e) For local departments or agencies that do not have to submit an ICRP to the cognizant Federal agency, indirect cost rates were applied in accordance with the ICRP maintained on file.

State/Local-Wide Central Service Costs

- 1) Obtain an understanding of internal control over compliance requirements for central service costs, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the governmental unit complied with the provisions of 2 CFR 225 as follows:
 - a) Direct charges to Federal awards were for allowable costs.
 - b) Charges to cost pools allocated to Federal awards through central service CAPs were for allowable costs.
 - c) The methods of allocating the costs are in accordance with the applicable cost principles, and produce an equitable and consistent distribution of costs, which benefit from the central service costs being allocated (e.g., cost allocation bases include all activities, including all State departments and agencies and, if appropriate, non-State organizations which receive services).
 - d) Cost allocations were in accordance with central service CAPs approved by the cognizant agency or, in cases where such plans are not subject to approval, in accordance with the plan on file.

State Public Assistance Agency Costs

- 1) Obtain an understanding of internal control over compliance requirements for State public assistance agency costs, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the governmental unit complied with the provisions of 2 CFR 225 as follows:
 - a) Direct charges to Federal awards were for allowable costs.
 - b) Charges to cost pool allocated to Federal awards through the public assistance CAP were for allowable costs.
 - c) The approved public assistance CAP correctly describes the actual procedures used to identify, measure, and allocate costs to each of the programs operated by the State public assistance agency. However, the actual procedures or methods of allocating costs must be in accordance with the applicable cost principles, and produce an equitable and consistent distribution of costs.
 - d) Charges to Federal awards are in accordance with the approved public assistance CAP. This does not apply if the auditor first determines that the approved CAP is not in compliance with the applicable cost principles and/or produces an inequitable distribution of costs.
 - e) The employee time reporting systems are implemented and operated in accordance with the methodologies described in the approved public assistance CAP.

Compliance Requirements

The following OMB cost principles prescribe the cost accounting policies associated with the administration of Federal awards by (1) States, local governments, and Indian tribal governments (State rules for expenditures of State funds apply for block grants authorized by the Omnibus Budget Reconciliation Act of 1981 and for other programs specified on Appendix I); (2) institutions of higher education; and (3) non-profit organizations. Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from OMB's cost principles, but are subject to

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

requirements promulgated by the sponsoring Federal agencies (e.g., the Department of Health and Human Services' 45 CFR part 74, appendix E). 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 Government, or indirectly through a pass-through entity. The codification of the circulars describe selected cost items, allowable and unallowable costs, and standard methodologies for calculating indirect costs rates (e.g., methodologies used to recover facilities and administrative costs (F&A) at institutions of higher education). Federal awards include Federal programs and cost-type contracts and may be in the form of grants, contracts, and other agreements.

The three cost principles circulars are as follows:

- **OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." (2 CFR part 225).**
- **OMB Circular A-21, "Cost Principles for Educational Institutions." (2 CFR part 220)** - All institutions of higher education are subject to the cost principles contained in OMB Circular A-21, which incorporates the four Cost Accounting Standards Board (CASB) Standards and the Disclosure Statement (DS-2) requirements as described in OMB Circular A-21, sections C.10 through C.14 and Appendices A and B.
- **OMB Circular A-122, "Cost Principles for Non-Profit Organizations." (2 CFR part 230)** - Non-profit organizations are subject to OMB Circular A-122, except those non-profit organizations listed in OMB Circular A-122, Attachment C that are subject to the commercial cost principles contained in the Federal Acquisition Regulation (FAR). Also, by contract terms and conditions, some non-profit organizations may be subject to the CASB's Standards and the Disclosure Statement (DS-1) requirements.

The cost principles articulated in the three OMB cost principles circulars are in most cases substantially identical, but a few differences do exist. These differences are necessary because of the nature of the Federal/State/local/non-profit organizational structures, programs administered, and breadth of services offered by some grantees and not others. Exhibit 1 of this part of the Supplement, Selected Items of Cost, lists the treatment of the selected cost items in the different circulars.

Note: This FACCR is designed for State and Local Governments. If you are performing a Single Audit for an Higher Educational Institution or a Non-Profit Organization, you will need to update the guidance included within this FACCR in accordance with the applicable cost principle circular/codification.

Important Note: For a cost to be allowable, it must (1) be for a purpose the specific award permits and (2) fall within 2 CFR 225's allowable cost guidelines. 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 225 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 2 CFR 225 to determine if pension costs (an object cost classification) are permissible. (2 CFR 225, Attachment B states they are allowable, with restrictions, so we would need to determine if the auditee met the restrictions.) Both the client and we should look at 2 CFR 225 even if the grant agreement includes a budget by object code approved by the grantor agency.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (2 CFR 225)

Introduction

2 CFR 225 establishes principles and standards for determining allowable direct and indirect for Federal awards. This section is organized in to the following areas of allowable costs: State/Local-Wide Central Service Costs; State/Local Department or Agency Costs (Direct and Indirect); and State Public Assistance Agency Costs.

Cognizant Agency

B. Allowable Costs / Cost Principles

2 CFR 225, Attachment A, paragraph B.6. defines “cognizant agency” as the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under 2 CFR 225 on behalf of all Federal agencies. OMB publishes a listing of cognizant agencies

(Federal Register, 51 FR 552, January 6, 1986). References to cognizant agency in this section should not be confused with the cognizant Federal agency for audit responsibilities, which is defined in OMB Circular A-133, Subpart D, §____.400(a).

Availability of Other Information

Additional information on cost allocation plans and indirect cost rates is found in the Department of Health and Human Services (HHS) publications: *A Guide for State, Local, and Indian Tribal Governments (ASMB C-10)*; *Review Guide for State and Local Governments, State/Local-Wide Central Service Cost Allocation Plans, and Indirect Cost Rates*; and the *DCA Best Practices Manual for Reviewing Public Assistance Cost Allocation Plans* which are available on the Internet at <http://rates.psc.gov/fms/dca/asmb%20c-10.pdf> and <http://rates.psc.gov/fms/dca/PA%20BPM.pdf>, respectively.

This FACCR section will discuss the Allowable Costs/Cost Principles compliance requirements in the following broad categories: (1) allowability of costs, (2) direct and indirect department or agency costs including indirect cost rate proposals (ICRPs), and (3) entity-wide cost allocation (CAPs).

Allowability of Costs – General Criteria (applicable to both direct and indirect costs)

The general criteria affecting allowability of costs under Federal awards are:

- *Reasonable and Necessary* – Costs must be reasonable and necessary for the performance and administration of Federal awards.
- *Allocable* – Costs must be allocable to the Federal awards under the provisions of the cost principles or GASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such objective in accordance with relative benefits received.
- *Consistency* – Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purposes in like circumstances was allocated to the Federal award as an indirect cost.
- *Conformity to Laws, Regulations, and Sponsored Agreements* – Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements, or other governing regulations as to types or amounts of cost items.
- *Transactions that Reduce or Offset Direct or Indirect Costs* – Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.
- *Costs Documentation* – Costs must be documented in accordance with 45 CFR 74 for non-profit organizations and institutions of higher education or 45 CFR 92 for State, local and Indian tribal governments.

1) *Basic Guidelines* – To be allowable under Federal awards, costs must meet the following general criteria (2 CFR 225, Appendix A, paragraph C.1):

- a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to 2 CFR 225, Attachment A, paragraph C.2 for additional information on reasonableness of costs.)
- b) Be allocable to Federal awards under the provisions of 2 CFR 225. (Refer to 2 CFR 225, Appendix A, paragraph C.3 for additional information on allocable costs.)
- c) Be authorized or not prohibited under State or local laws or regulations.
- d) Conform to any limitations or exclusions set forth in 2 CFR 225, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

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- f) 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.
- g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in 2 CFR 225.³
- h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- i) Be net of all applicable credits. (Refer to 2 CFR 225, Appendix A, paragraph C.4 for additional information on applicable credits.)
- j) Be adequately documented.

2) Selected Items of Cost

- a) Sections 1 through 43 of 2 CFR 225, Appendix B, provide the principles to be applied in establishing the allowability or unallowability of certain items of cost. (For a listing of costs, refer to Exhibit 1 of this part of the Supplement.) These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost in this section of 2 CFR 225 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 or standards provided for similar or related items of cost.
- b) A cost is allowable for Federal reimbursement only to extent of benefits received by Federal awards and its conformance with the general policies and principles stated in 2 CFR 225, Appendix A.

Allowable Costs – State/Local Department or Agency Costs – Direct and Indirect

The individual State/local 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 225.

While direct costs are those that can be identified specifically with a particular final cost objective, the indirect costs are those that have been incurred for common or joint purposes, and not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local 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 carrying out Federal awards, and (2) costs of central governmental services distributed through the State/local-wide central service CAP that are not otherwise treated as direct costs. The IRCs 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 225, Appendix E, paragraph B).

- a. **Direct Costs** – Direct costs are those that can be identified specifically with a particular final cost objective. Typical direct costs chargeable to Federal awards are (2 CFR 225, Appendix A, paragraph E):
 - (1) Compensation of employees for the time devoted and identified specifically to the performance of those awards.
 - (2) Cost of material acquired, consumed, or expended specifically for the purpose of those awards.
 - (3) Equipment and other approved capital expenditures.
 - (4) Travel expenses incurred specifically to carry out the award.

b. Allocation of Indirect Costs and Determination of Indirect Cost Rates (2 CFR 225, Appendix E)

Indirect costs are those costs that benefit common activities and, therefore, cannot be readily assigned to a specific

³ 2 CFR 225 only requires GAAP to be used for the determination of certain items of cost. If the entity does not charge those items of costs, GAAP is not required by 2 CFR 225, but may be required by the terms of the federal awards. For example, GAAP is required when accruing costs cost employees' paid leave or when charging rental costs for lease that meet the definition of capital lease under GAAP. When uncertain about a particular item of costs, review 2 CFR 225, attachment B. (2 CFR 225, paragraph B.9; Appendix B, sections 11.d, e, f, and g, and 38.d).

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direct cost objective or project. Three different types of indirect cost rates can be approved by the cognizant agency for indirect cost negotiation: predetermined fixed, fixed, and provisional/final.

- *Predetermined rates* – rates established for the current or multiple future period(s) based on current data (usually data from the most recently ended fiscal year, known as the base period). Predetermined rates are not subject to adjustment, except under very unusual circumstances.
- *Fixed rates* – rates based on current data in the same manner as predetermined rates, except that the difference between the costs of the base period used to establish the rate and the actual costs of the current period is carried forward as an adjustment to the rate computation for a subsequent period.
- *Provisional rates* – temporary rates used for funding and billing indirect costs, pending the establishment of a final rate for a period.

Sometimes award-specific indirect cost rates are negotiated that are different from those set forth in negotiated rate agreements. Terms and conditions in an award specific to indirect cost rates take precedence over indirect cost rates set forth in negotiated agreements.

- (1) Indirect costs are those that have been incurred for a common or joint purposes. These costs benefit more than one cost objective and cannot readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated to a Federal awards as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.
- (2) Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.
- (3) Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards. Guidelines and illustrations of indirect cost proposals are provided in a brochure published by the Department of Health and Human Services entitled "A Guide for State and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government." A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office.
- (4) Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation to use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.
- (5) *Indirect Cost Rate Proposals* – Indirect costs are viewed as having been generated at the department or agency administering a federal award. Indirect costs generated at the department or agency administering federal awards (including central services indirect costs assigned to the department by way of an entity-wide cost allocation plan (CAP)), are allocated using indirect cost rates supported by indirect cost rate proposals (ICRPs). (2 CFR 225, Appendix E, paragraph A).
 - (a) The ICRP is used to document and approve an indirect cost rate (a percentage) and an indirect cost rate agreement (ICRA). The indirect cost rate is applied to an indirect cost pool to determine the allocation of indirect costs. The indirect cost pool is the accumulated costs that jointly benefit two or more programs or cost objectives within the department/agency. (2 CFR 225, Appendix E, paragraph B).
 - (b) The indirect cost rate is the proportion of indirect costs to a direct cost base for a given base period. The

⁴ As used in section B of this FACCR, federal "cognizant agency" is as defined in OMB Circular 2 CFR 225, paragraph B.6. This is the federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals. Reference to "cognizant agency" here should not be confused with cognizant federal agency audit responsibilities, which is defined in OMB Circular A-133, Subpart D, §____.400(a).

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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base is the accumulated direct costs that are used to distribute indirect costs. The base used is often the department's total direct salaries and wages or total direct costs exclusive of distorting or extraordinary expenditures (for example, capital expenditures, subawards, assistance payments to beneficiaries). The indirect cost rate multiplied by the indirect cost base yields the indirect costs are incurred (usually the entity's fiscal year). (2 CFR 225, Appendix E, paragraph B; ASMB C-10, Part 6).

- (c) Costs included in the indirect cost pool are also subject to the Basic Guidelines and Selected Items of Cost requirements discussed under Allowability of Costs above.
- (d) 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. Rates are often used for more than one year. (For rate definitions refer to 2 CFR 225, Appendix E, paragraph B).
- (e) ASMB C-10, Part 6 includes illustrations demonstrating certain indirect cost calculations and documentation requirements.

c. *Allocation of Indirect Costs and Determination of Indirect Cost Rates* -- Four specific methods for allocating indirect costs and computing indirect cost rates are specified in 2 CFR 225, Appendix E. Following is a summary of the two most common methods:

- (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 the circular codification (2 CFR 225, Appendix E, 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 225, Appendix E, paragraph C.3.)

d. Submission Requirements

- (1) Submission requirements are identified in 2 CFR 225, Appendix E, 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 for which a cognizant⁴ Federal agency has been assigned by OMB must submit its ICRP to its cognizant agency. Smaller local government departments or agencies which are not required to submit a proposal to the cognizant Federal agency must develop an ICRP in accordance with the requirements of 2 CFR 225, and maintain the proposal and related supporting documentation for audit. Where a local government receives funds as a subrecipient only, the primary recipient will be responsible for negotiating and/or monitoring the subrecipient's plan.
- (3) ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit's fiscal year.

e. *Documentation Requirements* – The documentation requirements for ICRPs are included in 2 CFR 225, Attachment E, paragraphs D.2. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 45 CFR 92. The following shall be included with each indirect cost proposal:

- (1) The rates proposed, including subsidiary work sheets and other relevant data, cross-references and reconciled to the financial data noted in subsection b. Allocated central service costs will be supported by the summary table included in the approved central service cost allocation plan. This summary table is not required to be submitted with the indirect cost proposal of the central service cost if the central service cost allocation plan for the same fiscal year has been approved by the cognizant agency and is available to the funding agency.
- (2) A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency in a subsequent proposal.
- (3) The approximate amount of direct base costs incurred under Federal awards. These costs should be broken out between salaries and wages and other direct costs.
- (4) A chart showing the organizations structure of the agency during the period for which the proposal applies, along with a functional statement(s) noting the duties and/or responsibilities of all units that compromise the agency. (Once this is submitted, only revisions need be submitted with subsequent proposals.)

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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f. Certification Requirements – The certification requirements for ICRPs are included in 2 CFR 225, Appendix E, paragraph D.3. The ICRP is to be accompanied by a certification in the form prescribed and must state that (a) all costs included in the proposal to establish indirect cost rates are allowable in accordance with 2 CFR 225, (b) all costs included in the proposal are properly allocable to federal awards on the basis of beneficial or causal relationship, (c) the same costs claimed as indirect have not also been claimed as direct costs and, (d) similar types of costs have been accounted for consistently. The proposal and related documentation must be retained for audit in accordance with the record retention requirements included in 45 CFR 92.

Allowable Costs – State/Local-Wide Central Service Costs

Most governmental entities provide services, such as accounting, purchasing, computer services, and fringe benefits, to operating agencies on a centralized basis. Since the Federal awards are performed within the individual operating agencies, there must be a process whereby these central service costs are identified and assigned to benefiting operating agency activities on a reasonable and consistent basis. The State/local-wide central service cost allocation plan (CAP) provides that process. (Refer to 2 CFR 225, Appendix C, State/Local-Wide Central Service Cost Allocation Plans for additional information and specific requirements.)

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

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

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

a. Submission Requirements (2 CFR 225, Appendix C, paragraph D)

- (1) Each State will submit a State-wide central service CAP to the Department of Health and Human Services for each year in which it claims central service costs under Federal awards. The plan should include (a) a projection of the next year’s allocated central service cost (based either on actual costs for the most recently completed year or the budget projection for the coming year), and (b) a reconciliation of actual allocated central service costs to the estimated costs used for either the most recently completed year immediately preceding the most recently completed year.
- (2) A local government that has been designated as a “major local government” by OMB is required to submit a central service CAP to its cognizant agency annually. OMB periodically lists major local governments in the *Federal Register*.
- (3) All other local governments claiming central service costs must develop a CAP in accordance with the requirements described in 2 CFR 225 and maintain the plan and related supporting documentation for audit. Local governments are not required to submit the plan for Federal approval unless they are specifically requested to do so by the cognizant agency. If a local government received funds as a subrecipient only, the primary recipient will be responsible for negotiating and/or monitoring the local government’s plan.
- (4) All central service CAPs will be prepared and, when required, submitted within 6 months prior to the beginning of the governmental unit’s fiscal years in which it proposes to claim central service costs. Extensions may be granted by the cognizant agency.

b. Documentation Requirements (2 CFR 225, Appendix C, paragraph E)

- (1) The central service CAP must include all central service costs that will be claimed (either as an allocated or a billed cost) under Federal awards. Costs of central services omitted from the CAP will not be reimbursed.
- (2) All plans and related documentation used as a basis for claiming costs under Federal awards must be retained for

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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audit in accordance with the record retention requirements contained in 45 CFR 92.

(3) All proposed plans must be accompanied by the following:

- (a) An organization chart sufficiently detailed to show operations including the central service activities of the State/local government whether or not they are shown as benefiting from central service functions;
- (b) A copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and
- (c) A certification (see below) that the plan was prepared in accordance with 2 CFR 225, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.

c. Required Certification – No proposal to establish a central service CAP, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit, shall be accepted and approved unless such costs have been certified by the governmental unit using Certificate of Cost Allocation Plan as set forth in 2 CFR 225, Appendix C, paragraph E.4.

d. Allocated Central Service Costs (Section I Costs) – A carry-forward adjustment is not permitted for a central service activity that was not included in the previously approved plan or for unallowable costs that must be reimbursed immediately (2 CFR 225, Appendix C, paragraph G.3).

(1) For each allocated central service, the plan must also include the following:

- (a) A brief description of the service;
- (b) An identification of the unit rendering the services and the operating agencies receiving the service;
- (c) The items of expense included in the cost of the service;
- (d) The method used to distribute the cost of the service to benefited agencies; and
- (e) A summary schedule showing the allocation of each service to the specific benefited agencies.

(2) Carry-forward adjustments of allocated central service costs are usually negotiated and approved for future fiscal year on a “fixed with carry-forward” basis. Under this procedure, the fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amount established for a later year. This “carry-forward” procedure applies to all central services whose costs were fixed in the approved plan. However, a carry-forward adjustment is not permitted for central service activities that was not included in the approved plan, or for unallowable costs that must be reimbursed immediately.

e. Billed Central Service Costs (Section II Costs)

(1) Internal Service Funds

- (a) For each internal service fund or similar activity with an operating budget of \$5 million or more, the plan shall include:
 - (i) A brief description of each service;
 - (ii) A balance sheet for each fund based on individual accounts contained in the governmental unit’s accounting system;
 - (iii) A revenue/expenses statement, with revenues broken out by source, e.g., regular billings, interest earned, etc.;
 - (iv) A listing of all non-operating transfers (as defined by GAAP) in to and out of the fund;
 - (v) A description of the procedures (methodology) used to charge the costs of each service to the users, including how billing rates are determined;
 - (vi) A schedule of current rates; and
 - (vii) A schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service as determined under 2 CFR 225, with an explanation of how variances will be handled.
- (b) Revenues shall consist of all revenues generated by the service, including unbilled and uncollected revenues. If some users were not billed for the services (or were not billed at the full rate for that class of users), a schedule showing the full imputed revenues associated with these users shall be provided. Expenses shall be broken out by object cost categories (e.g., salaries, supplies, etc.).
- (c) Working Capital Reserves – Internal services funds are independent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. Internal service funds for central service activities are allowed a working

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capital reserve of up to 60 days cash expenses for normal operating purposes (2 CRF 225). A working capital reserve exceeding 60 days may be approved by the cognizant Federal agency in exceptional cases.

(2) Self-insurance funds

(a) For each self-insurance fund, the plan shall include:

- (i) The fund balance sheet;
- (ii) A statement of revenue and expenses including a summary of billings and claims paid by the agency;
- (iii) A listing of all non-operating transfers into and out of the fund;
- (iv) The type(s) of risk(s) covered by the fund (e.g., automobile liability, workers' compensation, etc.);
- (v) An explanation of how the level of fund contribution are determine, including a copy of the current actuarial basis; and
- (vi) A description of the procedures used to charge or allocate fund contributions to benefited activities.

(b) Reserve levels in excess of claims must be identified and explained for claims:

- (i) Submitted and adjudicated but not paid;
- (ii) Submitted but not adjudicated; and
- (iii) Incurred but not submitted.

(c) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer (2 CFR 225, Appendix B, paragraph 22).

(3) Fringe Benefits

(a) For fringe benefit costs, the plan shall include:

- (i) A listing of fringe benefits provided to covered employees and the overall annual cost of each type of benefit;
- (ii) Current fringe benefit policies; and
- (iii) Procedures used to charge or allocated the costs of the benefits to benefited activities.

(b) In addition, for pension and post-retirement health insurance plans, the following information shall be provided:

- (i) The governmental unit's funding policies, e.g., legislative bills, trust agreement, or State-mandated contribution rules, if different from actuarially determined rates;
- (ii) The pension plan's costs accrued for the year;
- (iii) The amount funded, and date(s) of funding;
- (iv) A copy of the current actuarial report (including the actuarial assumptions);
- (v) The plan trustee's report; and
- (vi) A schedule from the activity showing the value of the interest cost associated with late funding.

(4) Each billed central service activity must separately account for all revenues (included imputed revenues) generated by the services, expenses incurred to furnish the services, and profit/loss.

(5) Adjustment of billed central services – Billing rates used to charge Federal awards shall be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually. Adjustments of billed central services are required when there is a difference between the revenue generated by each billed service and the actual allowable costs (2 CFR 225, Appendix C, paragraph G.4). These adjustments will be made through of one the following adjustment methods: (a) a cash refund to the Federal Government for the Federal share of the adjustment , (b) credits to the amount charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non-Federal) share exceeds \$500,000.

State Public Assistance Agency Costs

State public assistance agency costs are (1) defined as all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for services and goods provided directly to program recipients (e.g., day care services) and (2) normally charges to Federal awards by implementing the public assistance cost allocation plan (CAP). The public assistance CAP provides a narrative description of the procedures that

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are used in identifying, measuring and allocating all costs (direct and indirect) to each of the programs administered or supervised by State public assistance agencies.

Appendix D of 2 CFR 225 states that since the federally financed program administered by State public assistance agencies are funded predominantly by HHS. HHS is responsible for the requirements for the development, documentation, submission, negotiation, and approval of public assistance CAPs. These requirements are published in Subpart E of 45 CFR part 95.

Major Federal programs typically administered by State public assistance include: Temporary Assistance for Needy Families (CFDA #93.558), Medicaid (CFDA #93.778), Food Stamps (CFDA #10.561), Child Support Enforcement (CFDA #93.563), Foster Care (CFDA #93.658), Adoption Assistance (CFDA #93.569), and Social Services Block Grant (CFDA #93.667).

1) Submission Requirements

- a) Unlike most State/local-wide central service CAPs and ICRPs, an annual submission of the public assistance CAP is not required. Once a public assistance CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following event occur (45 CFR section 95.509):
 - (1) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the Federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
 - (2) A material defect is discovered in the cost allocation plan.
 - (3) The State plan for public assistance programs is amended so as to affect the allocation of costs.
 - (4) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.
 - (5) The amendment must be submitted to HHS for review and approval.

2) *Documentation Requirements* – A State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. The public assistance CAP requirements are contain in 45 CFR section 95.507.

3) *Implementation of Approved Public Assistance CAPs* – Since public assistance CAPs are of a narrative nature, the Federal Government needs assurance that the cost allocation plan has been implemented as approved. This is accomplished by funding agencies' reviews, single audits, or audits conducted by the cognizant audit agency (2 CFR 225, Appendix D, paragraph E.1).

Compliance Requirements - Program Specific Requirements

Sections A & B are most often test together using the same sample. Therefore, additional program specific requirements / testing procedures have been incorporated into Section A.

Per ODJFS, audit costs are an allowable cost for ODJFS programs.

As noted in the Guided Self Assessment (GSA), the most significant administrative costs of the County JFS is compensation. Costs of compensation must be allocated by means of full-time equivalents (FTEs) and the RMS system, as set forth in the state cost allocation plan. The costs of providers should normally be charged directly to the benefiting program. Provider costs, including provider administrative costs, should not be charged to a cost pool as this would likely cause costs to be charged to non-benefiting programs, contrary to the federal cost allocation principles (OMB Circular A-87 / 2 CFR 225). Costs which are readily assignable as direct costs should be charged in that manner and not charged to a cost pool, unless required by the statewide cost allocation plan. Costs, whether charged directly or indirectly, should be charged only to benefiting federal programs. Subrecipients may not be paid any amounts in excess of allowable costs, whether as a fee or any other increment. For example, where a contractor is providing both WIA and TANF program services, each cost should be allocated by the contractor to the appropriate program and charged as direct program costs. On the other hand, where a contractor is providing general administrative services, such as the development of an agency-wide classification system for employees, those costs are not direct program costs. As the costs benefit all programs within the agency, they should be charged to the shared cost pool.

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

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

Auditors should be alert for the following:

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

As noted in the ODJFS GSA, County family services agencies are not authorized under Ohio law to hold title to real property. The agencies routinely rent or lease (for federal grants management purposes, the terms are interchangeable) the facilities necessary for their operation. Rental costs are allowable costs to federal programs under OMB Circular A-87, Attachment B, item 37. However, rates must be reasonable in light of such factors as:

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

If the County JFS rents facilities from the board of county commissioners, they are subject to additional restrictions under 2 CFR 225 (OMB Circular A-87). As the county family services agency and the board of county commissioners are "related parties," a rental transaction between the two is considered a "less-than-arm's-length" transaction. As a result, allowable rental costs are limited to the amount that would be allowed had title to the property vested in the governmental unit; i.e., depreciation, maintenance, taxes and insurance. If the lease amount is tied to a bond schedule for the repayment of the county's indebtedness on the building in question, this amount may be more than the allowable rental costs under 2 CFR 225, and the excessive amount would not be an allowable cost to federal programs.

ODJFS issued County Monitoring Advisory Bulletin 2008-001 regarding this matter. The Bulletin is included below auditor's reference. See also OAC 5101:9-4-11 Rental Costs and Lease Agreements for the rule governing this requirement. This rule is also referred to in FACCR Section F - Equipment and Real Property Management.

OAC 5101:9-1-15 states the expenditure of funds received by grantees of federal funds and their subrecipients must follow cost principles established in 2 C.F.R. part 225 and be in accordance with state and local requirements. Where federal, state, or local requirements differ, the most restrictive shall apply. Part (H) of this section lists selected items of costs where there is more restrictive policy based on Ohio law and/or where policy clarifications have been received. See complete OAC section as follows:

OAC 5101:9-1-15 Cost Principles Effective Date: January 30, 2009

(A) The expenditure of funds received by grantees of federal funds and their sub-recipients must follow cost principles established in 2 C.F.R. part 225 and be in accordance with state and local requirements. Where federal, state, or local requirements differ, the most restrictive requirement shall apply.

(B) The following terms relate to cost principles used in this rule: (1) "Award" is a grant, cost reimbursement contract, and/or other agreement between the government unit and the federal government. (2) "Cognizant agency" is the federal

B. Allowable Costs / Cost Principles

agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost proposals developed under 2 C.F.R. part 225 on behalf of all federal agencies. (3) "Cost" is an amount as determined on a cash, accrual, or other basis acceptable to the federal awarding or cognizant agency. It does not include transfers to a general or similar fund. (4) "Cost allocation plan" means a central service cost allocation plan, public assistance cost allocation plan, and indirect cost rate proposal. (5) "Governmental unit" means the state, local, or federally recognized Indian tribal government, including any component thereof. Components of governmental units may function independent of the governmental unit in accordance with the term of the award.

(C) The application of cost principles is based on the premise that: (1) State and local governmental units are responsible for the efficient and effective administration of federal awards through the application of sound management practices. (2) The governmental units assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award. (3) Each governmental unit has the primary responsibility for employing the form of organization and those management techniques that are necessary to assure proper and efficient administration of federal awards.

(D) Costs may be categorized as follows: (1) Allowable costs. These are costs that have been identified by the state or federal government as approved costs in compliance with the 2 C.F.R. part 225. The county agency may be reimbursed for a portion or for all of these costs. (2) Costs allowable with prior approval. All costs in this category are allowable only if they have been prior-approved by the Ohio department of job and family services (ODJFS) and/or the federal agency providing the funds. The county agency may be reimbursed for a portion or for all of these prior-approved costs. (3) Unallowable costs. These are costs that are non-reimbursable. A cost is unallowable if it is either: (a) Prohibited as allowable by law; or (b) Not allocable to a state or federal program. In this case, a county agency may expend funds for a particular item or activity, but the expenditure must be paid entirely with local funds.

(E) Costs must be allowable, reasonable, and allocable.

(1) A cost is allowable for federal reimbursement only to the extent of benefits received by federal awards and its conformance with the general policies and principles stated in 2 C.F.R. part 225. To be allowable under federal awards, costs must meet the following general criteria: (a) Be necessary and reasonable for proper and efficient administration of the federal award. (b) Be allocable to federal awards under the provisions of 2 C.F.R. part 225. (c) Be authorized or not prohibited under state or local laws or regulations. (d) Conform to any limitations or exclusions set forth in 2 C.F.R. part 225, federal law, terms and conditions of the federal award, or other governing regulations to types or amounts of the cost items. (e) Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the government unit. (f) 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. (g) Except as otherwise provided in 2 C.F.R. part 225, be determined in accordance with generally accepted accounting principles. (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or prior period, except as specifically provided by federal law or regulation. (i) Be the net of all applicable credits. (j) Be adequately documented.

(2) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to: (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the federal award. (b) The restraints or requirements are imposed by such factors as sound business practices; arms length bargaining; federal, state, and other laws or regulations; and terms and conditions of the federal award. (c) Market prices for comparable goods or services. (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the federal government. (e) Significant deviations from the established practices of the governmental unit that may unjustifiably increase the federal award's cost.

(3) A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. (a) All activities that benefit from

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the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs. (b) Any cost allocable to a particular federal award or cost objective under the principles provided for in 2 C.F.R. part 225 may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons. (c) All costs must be allocated in compliance with the cost structures and methodologies defined in the ODJFS cost allocation plan (CAP). The CAP describes the method used to distribute and report costs to the various job and family services and workforce development programs Ohio administers and is approved by the federal cognizant agency.

(F) The total cost of a federal award is composed of the allowable direct cost of the program plus its allocable portion of allowable indirect costs, less applicable credits. Applicable credits refer to receipts or expenditure type transactions which offset or reduce expense items. Examples of such receipts or transactions are: purchase discounts, rebates, recoveries or indemnities on losses, and adjustments of overpayments or erroneous charges.

(G) Cost principles for selected items in 2 C.F.R. part 225 are applied in establishing the allowability or unallowability of certain costs. These principles apply whether a cost is treated as direct or indirect. The fact that a particular item of cost is not mentioned in 2 C.F.R. part 225 does not imply that it is either allowable or unallowable. Determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

(H) The following selected items of costs address where there is more restrictive policy based on Ohio law and/or where policy clarifications have been received:

(1) "Advertising and Public Relations" - The costs of promoting the approval of a tax levy is an unallowable advertising and public relations cost. (2) "Automatic Data Processing (ADP)" - The cost of data processing services for grant programs is allowable. This allowability does not supersede the restrictions regarding reimbursement of ADP expenditures in support of a federally approved ODJFS statewide system; e.g. client registry information system-enhanced (CRIS-E). That is, data processing costs that duplicate any statewide system functions cannot be claimed for federal reimbursement and are therefore non-reimbursable costs. In addition, acquisitions that may affect the ODJFS network, regardless of the cost or financial responsibility, must be approved by ODJFS prior to purchase. Approval can be obtained through the technology and service support policy (TSSP) request process as detailed in rule 5101:9-9-17 of the Administrative Code. (3) "Bonding" - Costs of premiums on bonds covering employees who handle grant funds are allowable. Bonds are required as an assurance of faithful performance of duties as set forth in sections 329.01 and 5153.13 of the Revised Code. Each county department of job and family services (CDJFS) director and public children services agency (PCSA) director must post a bond prior to assuming that position. (4) "Self-Insurance Plans" - The cost of self-insurance is allowable if included in the countywide central services cost allocation plan. Only self-insurance plans that are actuarially based are reimbursable. (5) "County Established Workers' Compensation Reserve Funds" - The U.S. department of health and human services deems as allowable county agency contribution to these county reserve funds for self-insurance plans for workers' compensation provided that all conditions of 2 C.F.R. part 225 are met in adhering to the proper and efficient administration of federal awards, including: (a) Reserve funds are not used for purposes other than workers' compensation claims and administrative expenses; (b) Reserve levels are actuarially determined; (c) Reserve levels do not exceed allowable levels for: (i) Claims runoff amounts; and (ii) Costs that would have been incurred had the counties chosen the base rate plan or experience rating plan, or had the counties chosen to use the actual claims paid method for charging federal programs for workers' compensation; (d) Earned interest remains in the reserve fund to help lower contribution rates; (e) Charges are consistent with federal and nonfederal program regulations; and (f) Treatment of charges is consistent, whether charged as direct or indirect costs.

(I) Determination of allowability of cost not specially addressed in this rule or 2 C.F.R. part 225 should be based on the treatment or standards provided for similar or related items of cost.

County Monitoring Advisory Bulletin 2008-001

County Monitoring Advisory Bulletin 2008-001 October 24, 2008

To: All CDJFS, CSEA, and PCSA Directors

From: Michelle Horn, Deputy Director

Medicaid Cluster, CFDA ##93.775 / 93.776 / 93.777 / 93.778

42/128

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

Office of Research, Assessment and Accountability

Subject: Claiming Costs of Building Space Under “Less-Than-Arm’s Length” Transactions

Background: In recent discussions with county family services agencies, it has been apparent that confusion exists as to the allowable costs for “rent” where the leased building is owned by the board of county commissioners. The purpose of this Advisory Bulletin is to bring to the attention of county agency management the limitations for such costs and to reduce their potential liability.

Issue 1 – Allowable Components of Rental Costs:

The requirements for allocation and allowability of costs to Federal programs by state and local governments are established in OMB Circular A-87, which is codified in Federal regulations at 2 CFR 225. These regulations are available online at:

<http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/05-16649.htm>

Costs incurred for the acquisition of buildings and land, as “capital expenditures,” are unallowable as direct charges, except where approved in advance by the awarding agency. See 2 CFR 225, Appendix B, Section 15 (b) (1). However, rental costs incurred by a county agency are an allowable cost, subject to the limitations of 2 CFR 225, Appendix B, Section 37.

Section 37 (a) states that:

. . . rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

These requirements are also set forth in Ohio Administrative Code Section 5101:9-4-11 (B). Additional limitations are applicable where the rental space is owned by the board of county commissioners. Section 37 (c) of Appendix B provides that where “one party to the lease agreement is able to control or substantially influence the actions of the other,” the transaction is considered a “less-than-arms-length” transaction. This includes circumstances where leases are between divisions of a governmental unit, as in a lease between a county agency and a board of county commissioners.

Where a “less-than-arms-length” transaction is in place, Section 37 (b) and (c) indicates that lease costs are allowable only up to the extent that costs would be allowable if title to the property vested in the county agency. This includes expenses such as depreciation or use allowance, maintenance, taxes, insurance and related interest.

These requirements are also set forth in Ohio Administrative Code Section 5101:9-4-11 (C).

Recommendation 1:

Where a county agency is entering into a lease arrangement, we recommend that you review the arrangement in light of the criteria in 2 CFR 225, Appendix B, Section 37 (c), and Ohio Administrative Code Section 5101:9-4-11 (C), and determine whether you are dealing with a “less-than-arms-length” transaction. If this appears to be the case, you should review the guidelines in Section 37 (b) as to allowable costs under such circumstances, as well as the provisions on depreciation and use allowances (2 CFR 225, Appendix B, Section 11), maintenance (2 CFR 225, Appendix B, Section 25), taxes (2 CFR 225, Appendix B, Section 40), insurance (2 CFR 225, Appendix B, Section 22) and interest on related debt (2 CFR 225, Appendix B, Section 23).

Issue 2 – Depreciation and Bond Principle:

As noted in the discussion under Issue 1, above, the components of allowable rental costs under less-than-arms-length transactions are depreciation or use allowance, maintenance, taxes, insurance and interest on related debt. The depreciation is to be based on the acquisition cost of the assets, excluding the cost of land. Calculation of depreciation is to be on a straight-line basis over the expected useful life of the assets. The expected useful life used should be the same as that used for financial reporting purposes by the county auditor.

In many instances where the board of county commissioners issues bonds for the acquisition of building facilities for a county family services agency, the term of the bonds is less than the expected useful life of the buildings. For example,

Medicaid Cluster, CFDA ##93.775 / 93.776 / 93.777 / 93.778

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* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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the bonds issued to fund the building may mature in 20 years, but the estimated useful life of the building is 40 years.

Under such circumstances, assuming a useful life of 40 years, an acquisition cost of \$3,200,000, and no remaining salvage value at the end of the estimated useful life of the building, the annual depreciation would be $\$3,200,000/40$, or \$80,000 per year. Thus, the allowable rental cost for the agency would be \$80,000, plus the amount of any maintenance, taxes, insurance and related interest.

A problem arises when, as is sometimes the case, the claim for rental costs is based not on the estimated useful life of the building, but on the term of the bonds issued to fund the acquisition. Under the same assumptions, where the agency incorrectly uses the bond term of 20 years, rather than the estimated useful life of 40 years, the miscalculated "depreciation" is $\$3,200,000/20$, or \$160,000 a year.

If this circumstance were to be identified in the course of an A-133 Single Audit, there is a risk that the excessive claim to federal programs, or \$80,000, would be a questioned cost. There is also a risk, if the excessive claim has been made over an extended period of time, that the federal awarding agency would seek recovery of the total excessive claims. For example, under the circumstances discussed, if the excessive claim had been made for a 10 year period, the excessive amounts claimed for the entire period, \$800,000, might be at risk.

Recommendation 2:

If your agency occupies building facilities owned by the Board of County Commissioners and claims the related cost to federal programs, we recommend that you review the acquisition cost of the building and the appropriate useful life used by the county auditor for financial reporting purposes, and determine whether the correct amount is being claimed to federal programs.

If an excessive amount is being claimed, we recommend you consult with your county auditor and your county prosecuting attorney, as your statutory legal advisor. If they are in agreement with your calculation and this analysis, we recommend that you adjust the claim for the current and subsequent years until the total amount allowable has been claimed for the estimated useful life of the building. The county prosecuting attorney may have additional suggestions as to the potential liability of the county for the excessive claims to that point.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

Control Environment

- Management sets reasonable budgets for Federal and non-Federal programs so that no incentive exists to miscode expenditures.
- Management enforces appropriate penalties for misappropriation or misuse of funds.
- Organization-wide cognizance of need for separate identification of allowable Federal costs.
- Management provides personnel approving and pre-auditing expenditures with a list of allowable and unallowable expenditures.

Risk Assessment

- Process for assessing risks resulting from changes to cost accounting systems.
- Key manager has a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a Federal program and not be detected.

Control Activities

- Accountability provided for charges and costs between Federal and non-Federal activities.
- Process in place for timely updating of procedures for changes in activities allowed.
- Computations checked for accuracy.
- Supporting documentation compared to list of allowable and unallowable expenditures.
- Adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause.
- Adequate segregation of duties in review and authorization of costs.
- Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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activities allowed.	
<p>Information and Communication</p> <ul style="list-style-type: none"> • Reports, such as a comparison of budget to actual provided to appropriate management for review on a timely basis. • Establishment of internal and external communication channels on activities allowed. • Training programs, both formal and informal, provide knowledge and skills necessary to determine activities allowed. • Interaction between management and staff regarding questionable costs. • Grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars available to staff responsible for determining activities allowed under Federal awards. 	
<p>Monitoring</p> <ul style="list-style-type: none"> • Management reviews supporting documentation of allowable/unallowable activities. • Flow of information from Federal or State agency to appropriate management personnel. • Comparisons made with budget and expectations of allowable costs. <p>Analytic reviews (e.g., comparison of budget to actual or prior year to current year) and audits performed.</p>	
What control procedures address the compliance requirement?	WP Ref.
<p>What control procedures does the County JFS have in place to ensure only allowable costs are charged to the grant?</p> <p>See also Section A for additional procedures.</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
(see also testing procedures in Section A)	
<p>General</p> <p>The following procedures apply to direct charges to Federal awards as well as 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 from Federal awards. If the auditor identifies unallowable costs, the auditor should be aware that “directly associated costs” may have been charged. Directly associated costs are costs incurred solely as a result of incurring another costs, 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.</p> <ol style="list-style-type: none"> 1) Consider the results of the testing of internal control 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. (NOTE: If the local department or agency is not required to submit a CRP or 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.) 2) Select a representative number of transactions (Direct, CAPs, and indirect cost pools) and inspect documentation that supports that the charges are in conformance with the following criteria (contained in the “Basic Guidelines” section of 2 CFR 225): <ol style="list-style-type: none"> a) Authorized or not prohibited under state or local laws or regulations b) Approved by the federal awarding agency (including pass-through agency), if required. 	

⁵ When an employee’s compensation is allocated to several cost objectives based on the time spent on each, the portion related to serving the federal program is a direct cost not an indirect cost. Additionally, these costs must be supported by appropriate time and effort records as required by OMB Circular 2 CFR 225, Attachment B, paragraph 8.h. An employee whose compensation is allocated solely to a single cost objective must furnish semi-annual certificates that he/she has been engaged solely in activities in support of that cost objective. Alternatively, payroll codings, time and attendance certifications, and the authority structure must otherwise demonstrate the employee served only that cost objective (2 CFR 225, Attachment B, paragraph 8.h.3, ASMB C-10, Part 3, section 3,4 (Q & A 3-19)).

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles	
<p>c) Conform with the allowability of costs provisions of OMB cost principles 2 CFR 225, or limitations in the program agreement or regulations.</p> <p>d) Conform with the allowability provisions of 2 CFR 225 (paragraph C3).</p> <p>e) Represent charges for actual costs, not budgeted or projected amounts.</p> <p>f) With respect to fringe benefit allocations, charges, or rates; such allocations, charges, or rates are based on the benefits received by different classes of employees with the organization.</p> <p>g) Applied uniformly to federal and non-federal activities.</p> <p>h) Given consistent accounting treatment within and between accounting periods. Consistency in accounting requires that costs incurred for the same purpose, in like circumstances, be treated as either direct costs only or indirect costs only with respect to final cost objectives.</p> <p>i) Calculated in conformity with generally accepted accounting principles or another comprehensive basis of accounting, when required under the cost principles of 2 CFR 225. Costs for post-employment benefits must be funded to be allowable.</p> <p>j) Not included as a cost or used to meet cost sharing requirements of other federally-supported activities of the current or prior period.</p> <p>k) Net of all applicable credits, e.g., volume or cash discounts, insurance recoveries, refunds, rental income, trade-ins, and scrap sales.</p> <p>l) Not included as both a direct billing and as a component of indirect costs, i.e., excluded from cost pools included in CAPs and/or ICRPs, if charged directly to federal awards.</p> <p>m) Supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, and time and attendance records, and correctly charged as to account, amount, and period. Documentation requirements for salaries and wages, and time and effort distribution are described in 2 CFR 225.⁵ Documentation may be in an electronic form.</p> <p>3) For items selected for testing in 1) above, determine whether the costs met the allowability principles for selected items of costs as established in 2 CFR 225, Appendix B, sections 1 through 43. (For a listing of costs, refer to the chart at the end of this FACCR section.) These principles apply whether a cost is treated as direct or indirect. (Failure to mention a particular item of cost in this section of 2 CFR 225 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 or standards provided for similar or related items of cost.)</p> <p>4) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are incurred solely as a result of incurring another cost, and would not have 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.</p>	
<p>5) State/Local Department or Agency Costs – For State/Local Department or Agency ICRPs</p> <p>a. Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance. If the 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.</p> <p>b. <i>General Audit Procedures (Direct and Indirect Costs)</i> - The following procedures apply to direct charges to Federal awards as well as charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs from Federal awards.</p> <p>(1) Test a sample of transactions for conformance with:</p> <p>(a) The criteria contained in the “Basic Guidelines” section of 2 CFR 225, Appendix A, paragraph C.</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 225, Appendix B).

(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 Department or Agency ICRPs

(1) Verify that the ICRP includes required documentation in accordance with 2 CFR 225, Attachment E, paragraph D. This step also includes tracing/reconciling selected data elements to underlying accounting or other official records and considering whether all required data has been included (for example, are the organizational chart and function statements reasonably complete). The ICRP must also include:

- (1) A chart showing the organizational structure and functional statements of unit duties.
- (2) Amount of direct cost base broken out by salaries and wages and other direct costs.
- (3) The rates proposed including supporting worksheets and other relevant data reconciled to the financial statements. A copy of the financial data upon which the rate is based must also be included in the ICRP.

(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 charges 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 225). 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.

(a) When the ICRA is the basis for indirect cost charges to a major program, the auditor is required to obtain appropriate assurance that the costs collected in the cost pools and allocation methods are in compliance with the applicable cost principles. The following procedures are some acceptable options the auditor may use to obtain this assurance:

- (i) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR 225.
 - (A) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).
 - (B) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a representative number of transactions to verify the allowability of the costs.
 - (C) Trace the central services costs that are included in the indirect cost pool to the approved State/local-wide central service CAP or to plans on file when submission is not required.
- (ii) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR 225 and produce an equitable distribution of costs.
 - (A) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.
 - (B) 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.
 - (C) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).

(iii) *Other Procedures*

B. Allowable Costs / Cost Principles	
<p>(A) Examine the employee time report system results (where and if used) to ascertain if they are accurate, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charges. (Refer to 2 CFR 225, Appendix B, paragraph 11.h for additional information on support of salaries and wages.)</p> <p>(B) 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.</p> <p>(3) <i>Testing of Charges Based Upon the ICRA</i> – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:</p> <p>(a) Obtain and read the current ICRA and determine the terms in effect.</p> <p>(b) Select a representative number 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 the current-year direct costs do not include cost items that were treated as indirect costs in the base year).</p> <p>(4) <i>Other Procedures – No Negotiated ICRA</i></p> <p>(a) If an indirect cost rate has not been negotiated by a cognizant Federal agency, as required, the auditor should determine whether documentation exists to support the costs. Where the auditee has documentation, the suggested general audit procedures (direct and indirect costs under paragraph 4.b of this section) should be performed to determine the appropriateness of the indirect cost charges to awards.</p> <p>(b) If an indirect cost rate has not been negotiated by a cognizant agency, as required, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation.</p>	
<p>6) State/Local-Wide Central Service Costs</p> <p>The following procedures apply to material costs allocated/billed under entity-wide CAPs. The procedures apply to Section I (allocated) and Section II (billed – whether charged as direct or indirect costs of the billed department) costs as indicated. Material amounts charged to federal awards arising from internal service funds, self insurance, central services, or similar central services (whether or not accounted for in a separate fund (ASMB C-10, Part 4, Section 4.8 (Q&A 4-6)) are subject to these procedures.</p> <p>a. Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.</p> <p>(1) In reviewing the State/local-wide central service costs, the auditor may not need to test all central service costs (allocated or billed) every year; for example, the auditor in obtaining sufficient evidence for the opinion may consider testing each central service at least every 5 years, and perform additional testing for central services with operating budgets of \$5</p>	

⁶ Revenues shall consist of all revenues generated by the service, including unbilled and uncollected revenues. If some users were not billed for the services (or were not billed at the full rate for that class of user), a schedule showing the full imputed revenue associated with these users shall be provided. (2 CFR 225, Attachment C, paragraph E.3.b(2)).

⁷ There are separate requirements for CAPs which allocate/billed centralized fringe benefits. However, such centralized benefits are not generally expected to be material for local governments in Ohio. See 2 CFR 225, Attachment C, paragraph E.3.d if such costs are material.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

million or more.

- (2) If the local governmental entity is not required to submit the central service CAP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing and extent of compliance testing.

b. *General Audit Procedures for State/Local-Wide Central Service CAPs* - The following procedures apply to direct charges to Federal awards as well as charges to cost pools that are allocated wholly or partially to Federal awards 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 Guidelines" section of 2 CFR 225, Appendix A, paragraph C.
(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 225, Appendix B).

- (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-Wide Central Service CAPs*

- (1) Verify that the central service CAP includes the required documentation in accordance with 2 CFR 225, Appendix C, paragraph E.

- (a) All CAPS must include (2 CFR 225, Appendix C, paragraph E.1):

- (i) An organizational chart sufficiently detailed to show all operations of the entity, including the central services of the entity.
(ii) A copy of the financial statements to support the allowable costs of each central service activity included in the plan.
(iii) A certification that the plan was prepared in accordance with 2 CFR 225; contains only allowable costs; and was prepared in a manner that treated similar costs consistently.
(b) For Section I costs (allocated central service costs) the CAP must also (2 CFR 225, Appendix C, paragraph E.2):
(i) Briefly describe the central service.
(ii) Identify the unit rendering the service and the operating agencies receiving service.
(iii) List the items of expense included in the cost of services.
(iv) Identify the method used to distribute the costs of the service to benefited agencies.
(v) Provide a summary schedule showing the allocation of each service to benefited agencies.
(vi) If central self-insurance or fringe benefits are allocated, the Section II requirements in steps (iii) and (iv) also apply.

- (c) For Section II costs (billed central service costs) related to **self-insurance** the CAP **must** also include (2 CFR 225, Appendix C, paragraph E.3):

- (i) A description of the types of risks covered.
(ii) A balance sheet for the fund/activity based on individual accounts contained in the governmental entity's accounting system.
(iii) A revenue/expense statement including a summary of billings and claims paid by department/agency.
(iv) A list of all non-operating transfers into and out of the fund/activity.
(v) An explanation of how the level of fund contributions are determined (including a copy of the current actuarial report with actuarial assumptions, if the contributions

B. Allowable Costs / Cost Principles

- are determined on an actuarial basis).
- (vi) A description of the procedures used to charge or allocate contributions (i.e., user charges) to benefited activities.
 - (vii) A schedule comparing total revenues (including imputed revenues)⁶ generated by the service to the allowable costs of the service under 2 CFR 225.
 - (viii) Reserve levels in excess of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted, must be identified and explained. (See ASMB C-10, Part 4, Sections 4.7 and 4.8 (Q&A 4-7), and related illustrations for more details regarding the financial data.)
- (d) For Section II costs (billed central service costs) related to **other internal service funds and similar activities** (activities other than self-insurance and fringe benefits⁷), the CAP **must** also include (2 CFR 225, Appendix C, paragraphs E.3 and G.1, and ASMB C-10, Part 4, sections 4.7 and 4.8 (Q&A 4-7)):
- (i) A brief description of each service.
 - (ii) A balance sheet for each fund/activity based on individual accounts contained in the governmental unit's accounting system.
 - (iii) A revenue/expense statement with revenues broken out by source and expenses by object category (e.g., salaries, supplies, etc.).
 - (iv) A list of all non-operating transfers into and out of the fund/activity.
 - (v) A description of the methodology used to charge the cost of each service to users, including how billing rates are determined.
 - (vi) A schedule of current rates
 - (vii) A schedule comparing total revenues (including imputed revenues)⁵ generated by the service to the allowable costs of the service under 2 CFR 225, with an explanation of how variances will be handled.

(See ASMB C-10, Part 4, Sections 4.7 and 4.8 (Q&A 4-7), and related illustrations for more details regarding the financial data.)

- (2) *Testing of the State/Local-Wide Central Service CAPs – Allocated Section I Costs*
- (a) If new allocated central service costs were added, review the justification for including the item as Section I costs to ascertain if the costs are allowable (e.g., if costs benefit Federal awards).
 - (b) Identify the central service costs that incurred a significant increase in actual costs from the prior year's costs. Test a representative number of transactions to verify the allowability of the costs.
 - (c) Determine whether the bases used to allocate costs are appropriate, i.e., costs are allocated in accordance with relative benefits received.
 - (d) Determine whether the proposed bases include all activities that benefit from the central service costs being allocated, including all users that receive the services. For example, the State-wide central service CAP should allocate costs to all benefiting State departments and agencies, and, where appropriate, non-State organizations, such as local government agencies.
 - (e) Perform an analysis of the allocation bases by selecting departments/agencies with significant Federal awards to determine the percentage of costs allocated to these departments/agencies has increased from the prior year (or for first time audits, manage larger awards). For those selected departments/agencies with significant allocation percentage increases, determine that the data included in the basis are current and accurate (e.g., trace selected base data to subsidiary records).
 - (f) Where the "fixed-with-carry-forward" basis is used, determine whether carry-forward adjustments are properly computed in accordance with 2 CFR 225, Appendix C, paragraph G.3. This step includes determining whether significant carry-forward adjustments should have been made, and for recorded adjustments, whether the amounts are appropriate.
 - (g) When self-insurance costs are allocated, also perform suggested audit procedure steps 3(e) and (f) below.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

(3) *Testing of the State/Local-Wide Central Service CAPs – Billed Section II Costs*

- (a) For billed central service activities accounted for in separate funds (e.g., internal service funds), ascertain if:
 - (i) Retained earnings/fund balances (including reserves) are computed in accordance with the applicable cost principles;
 - (ii) Working capital reserves are not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs, and debt principal costs); and
 - (iii) Adjustments were made when there is a difference between the revenue generated by each billed service and the actual allowable costs.

Note: A 60-day working capital reserve is not automatic. Refer to the HHS publication, *A Guide for State, Local, and Indian Tribal Governments* (ASMB C-10) for guidelines.

- (b) Test to ensure that all users of services are billed in a consistent manner. For example, examine selected billings to determine if all users (including users outside the governmental unit) are charged the same rate for the same service.
- (c) Test that billing rates exclude unallowable costs, in accordance with applicable cost principles and Federal statutes.
- (d) Test, where billed central service activities are funded through general revenue appropriations, that the billing rates (or charges) are developed based on actual costs and were adjusted to eliminate profits.
- (e) For self-insurance and pension funds, ascertain if independent actuarial studies appropriate for such activities are performed at least biennially and that current period costs were allocated based on an appropriate study that is not over two years old.
- (f) Determine if refunds were made to the Federal Government for its share of funds transferred from the self-insurance reserve to other accounts, including imputed or earned interest from the date of the transfer.

7) State Public Assistance Agency Costs

- a) Consider the results of the testing of internal control in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance
- b) Since a significant amount of costs in the public assistance CAP are allocated based on employee time reporting systems (e.g., effort certification, personnel activity report and/or random moment sampling), it is suggested that the auditor consider the risk when designing the nature, timing, and extent of compliance testing.
- c) *General Audit Procedures* - The following procedures apply to direct charges to Federal awards as well as charges to cost pools that are allocated wholly or partially to Federal awards.
 - (1) Test a sample of transactions for conformance with:
 - (a) The criteria contained in the "Basic Guidelines" section of 2 CFR 225, Appendix A, paragraph C.
 - (b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 225, Appendix B).
 - (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.

d) *Special Audit Procedures for Public Assistance CAPs*

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

B. Allowable Costs / Cost Principles

- (1) Verify that the State public assistance is complying with the submission requirements, i.e., an amendment is promptly submitted when any of the events identified in 45 CFR section 95.509 occur.
- (2) Verify that public assistance CAP includes the required documentation in accordance with 45 CFR section 95.507.
- (3) *Testing of the Public Assistance CAP* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of the cost principles and produce an equitable distribution of costs. Appropriate detailed tests may include:
 - (a) Examine the results of the employee time reporting systems to ascertain if they are accurate, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged.
 - (b) Since the most significant cost pools in terms of dollars are usually allocated based upon the distribution of income maintenance and social services workers efforts identified through random moment time studies, determine whether the time studies are implemented and operated in accordance with the methodologies described in the approved public assistance CAP. For example, verify the adequacy of the controls governing the conduct and evaluation of the study, determine that the sampled observations were properly selected and performed, the documentation of the observations was properly completed, and that the results of the study were correctly accumulated and applied. Testing may include observing or interviewing staff who participate in the time studies to determine if they are correctly recording their activities.
 - (c) Test statistical data (e.g., square footage, case counts, salaries and wages) to ascertain if the proposed allocation bases are reasonable, updated as necessary, and do not contain any material omissions.
- (4) *Testing of Charges Based Upon the Public Assistance CAP* – If the approved public assistance CAP is determine to be in compliance with the applicable cost principles and produces an equitable distribution of costs, verify that the methods of charging costs to Federal awards are in accordance with the approved CAP and the provisions of the approval documents issued by HHS. Detailed compliance tests may include:
 - (a) Verify that the cost allocation schedules, supporting documentation and allocation data are accurate and that the costs are allocated in compliance with the approved CAP.
 - (b) Reconcile the allocation statistics of labor costs to completed employee time reporting documents (e.g., personnel activity reports or random moment sampling observation forms).
 - (c) Reconcile the allocation statistics of non-labor costs to allocation data, (e.g., square footage or case counts).
 - (d) Verify direct charges to supporting documents (e.g., purchase orders).
 - (e) Reconcile the costs to the Federal claims.

Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)

A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)

B. Assessment of Control Risk:

C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:

D. Results of Compliance (Substantive Tests) Tests:

E. Questioned Costs: Actual _____ Projected _____

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

ICRP (Testing of the Program)

The ICRP is based upon costs charged to cost pools representing costs of a base year. The base year often precedes the year in which the ICRP is prepared and the year the resulting Indirect Cost Rate Agreement (IDCRA) is used to charge indirect costs. For example, a non-federal entity may submit an ICRP in January 2009, based upon costs incurred and charged to cost pools during fiscal year ending June 30, 2008 (2008), the base year. The resulting IDCRA negotiated during year ending June 30, 2009 (2009) would be used as the basis for charging indirect costs to federal awards in the year ended June 30, 2010 (2010). For this example, the term IDCRA will also include an ICRP which is not required to be submitted to the federal agency for indirect cost negotiation but is retained on file is first used to charge indirect costs to federal awards the same as an approved plan resulting in an IDCRA.

An audit timing consideration is that the audit for 2008 (which covers the applicable cost pools) may be completed before the ICRP is submitted. Therefore, as part of the audit, the auditor cannot complete testing of the ICRP. Also, if the auditor waits to test the ICRP until 2010 (the year when this ICRP is first used to charge federal awards), the auditor would be testing 2008 records which would then be two years old.

Continuing this example, when the IDCRA is the basis of material charges to a major program in 2010, the auditor for 2010 is require to obtain appropriate assurance that the costs collected in the cost pools and allocation methods are in compliance with 2 CFR 225 cost principles. The following are some acceptable options the auditor may use to obtain this assurance.

- Perform interim testing of the costs charged to cost pools (e.g., determine from management the cost pools that management expects to include the ICRP and test the costs charged to those pools for compliance with the cost principles of 2 CFR 225 during the 2008 audit. As part of the 2009 audit, complete testing and verify management's representation against the ICRP finally submitted in 2009.
- Test costs charged to the cost pools underlying the ICRP during the audit of 2009, the year immediately following the base year. This would require testing of 2008 transactions.
- Wait until 2010, the year in which charges from the IDCRA are material to a major program and test costs charged to cost pools (2008) used to prepare the ICRP. This is a much more difficult approach because it requires going back two years to audit the cost charged to cost pools of the base year

Advantages of the first two methods are that the testing of the costs charged to the cost pools occurs closer to the time when the transactions occur (which makes audit exceptions easier to resolve). When material indirect costs are charged to any Type A program (determined in accordance with Circular A-133), auditors are strongly encouraged to use one of the first two methods. This is because under the risk-based approach, described in OMB Circular A-133, all Type A programs are required to be considered major programs at least in every three years and the IDCRA is usually used to charge federal awards for at least three years.

When the government submits an IDCRA, the government provides written assurance to the federal government that the plan includes only allowable costs. Accordingly, any material unallowable costs reflected in the ICRP should be reported as an audit finding in the year in which they are first found by audit.

An ICRP may result in an IDCRA that covers one year, but most often results in a multi-year IDCRA. When an ICRP has been tested in an prior year and this testing provides the auditor appropriate audit assurance, in subsequent years the auditor is only required to perform tests to ascertain if there have been material changes to the cost accounting practices and, if so, that the federal cognizant agency for indirect cost negotiation has been informed.

The auditor should take appropriate steps to coordinate testing of costs charges to cost pools supporting an ICRP with the client and, as appropriate, with the federal cognizant agency for indirect cost negotiation.

The auditor should consult with the client in the base year and the year in which the ICRP is submitted to determine the best (e.g., most efficient) alternative under the circumstances.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

**LIST OF SELECTED ITEMS OF COST CONTAINED IN 2 CFR 225 (formerly OMB Circular A-87)
(Effective August 31, 2005)**

The following exhibit provides an updated listing of selected items of costs contained in 2 CFR 225 based on the changes contained in the *Federal Register* notice dated August 31, 2005. This is available at the following link:

http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf.

This exhibit lists the selected items of costs along with a cursory description of its allowability. The numbers in parentheses refer to the cost item in Appendix B of 2 CFR 225. The reader is strongly cautioned not to rely exclusively on this summary exhibit but to place primary reliance on the reference circular text. There are also cost items listed auditors may identify in the testing that are not specifically addressed in the CFR.

Selected Items of Cost Exhibit 1	
Selected Cost Item	2 CFR 225, Appendix B State, Local, & Indian Tribal Governments
Advertising and public relation costs	(1) – Allowable with restrictions
Advisory councils	(2) – Allowable with restrictions
Alcoholic beverages	(3) – Unallowable
Alumni/ae activities	Not specifically addressed
Audit costs and related services	(4) – Allowable with restrictions and as addressed in OMB Circular A-133
Bad debts	(5) – Unallowable
Bonding costs	(6) – Allowable with restrictions
Commencement and convocation costs	Not specifically addressed
Communication costs	(7) – Allowable
Compensation for personal services	(8) – Unique criteria for support
Compensation for personal services – organization furnished automobile	Not specifically addressed
Compensation for personal services - sabbatical leave costs	Not specifically addressed
Compensation for personal services - severance pay	(8)(g) - Allowable with restrictions
Contingency provisions	(9) – Unallowable with exceptions
Deans of faculty and graduate schools	Not specifically addressed
Defense and prosecution of criminal and civil proceedings	(10) – Allowable with restrictions
Depreciation and use allowances	(11) – Allowable with qualifications
Donations and contributions	(12) – Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)
Employee morale, health, and welfare costs	(13) – Allowable with restrictions
Entertainment costs	(14) – Unallowable
Equipment and other capital expenditures	(15) – Allowability based on specific requirements
Fines and penalties	(16) – Unallowable with exceptions
Fundraising and investment management costs	(17) – Unallowable with restrictions
Gains and losses depreciable assets	(18) – Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)
General government expenses	(19) – Unallowable with exceptions
Goods or services for personal use	(20) – Unallowable
Housing and personal living expenses	Not specifically addressed
Idle facilities and idle capacity	(21) – Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions
Insurance and indemnification	(22) – Allowable with restrictions
Interest	(23) – Allowable with restrictions
Interest - substantial relocation	Not specifically addressed

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

Labor Relations Costs	Not specifically addressed
Lobbying	(24)-Unallowable
Lobbying - executive lobbying costs	(24.b.) – Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed (<i>Unallowable</i>)
Maintenance, operations and repairs	(25) – Allowable with restrictions (Maintenance, operations, and repairs)
Materials and supplies costs	(26) – Allowable with restrictions
Meetings and conferences	(27) – Allowable with restrictions
Memberships, subscriptions, and professional activity costs	(28) – Allowable as a direct cost for civic, community and social organizations with Federal approval; unallowable for lobbying organizations
Organizational costs	Not specifically addressed
Page charges in professional journals	(34.b)-Allowable with restrictions (addressed under “Publication and printing costs”)
Participant support costs	Not specifically addressed
Patent costs	(29) – Allowable with restrictions
Pension plans	(8e) – Allowable with restrictions
Plant and homeland security costs	(30) – Allowable with restrictions
Pre-award costs	(31) – Allowable with restrictions (Pre-award costs)
Professional services costs	(32) – Allowable with restrictions
Proposal costs	(33) – Allowable with restrictions
Publication and printing costs	(34) – Allowable with restrictions
Rearrangement and alteration costs	(35) – Allowable (ordinary and normal); Allowable with Federal prior approval (special)
Reconversion costs	(36) – Allowable with restrictions
Recruiting costs	(1.c(1)) – Allowable with restrictions (addresses costs of advertising only)
Relocation costs	Not specifically addressed
Rental cost of buildings and equipment	(37) – Allowable with restrictions
Royalties and other costs for use of patents	(38) – Allowable with restrictions
Scholarship and student aid costs	Not specifically addressed
Selling and marketing costs	(39) – Unallowable with exceptions
Specialized service facilities	Not specifically addressed
Student activity costs	Not specifically addressed
Taxes	(40) – Allowable with restrictions
Termination costs applicable to sponsored agreements	(41) – Allowable with restrictions
Training costs	(42) – Allowable for employee development
Transportation costs	Not specifically addressed
Travel costs	(43) – Allowable with restrictions
Trustees	Not specifically addressed

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

C. Cash Management

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the recipient/subrecipient followed procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury, or pass-through entity, and their disbursement.
- 3) Determine whether the pass-through entity implemented procedures to assure that subrecipients conformed substantially to the same timing requirements that apply to the pass-through entity.
- 4) Determine whether interest earned on advances was reported/remitted as required.

Compliance Requirements – General

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipient must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Interest earned on advances by local government grantee and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Interest earned by non-State not-for-profit entities on Federal fund balances in excess of \$250 is required to be remitted to the Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852.

U.S. department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury is Subpart B of 31 CFR part 205 (Subpart B).

Compliance Requirements - Program Specific Requirements

Subgrant Agreement, Article V. Amount of Grant/Payments, Section B indicates the "SUBGRANTEE will limit cash draws from ODJFS to the minimum amount needed for actual, immediate requirements in accordance with Cash Management Improvement Act, 31 CFR Part 205, 45 CFR Parts 74 and 92, 7 CFR Part 3016, Transmittal No. TANF-ACF-PI-01-02 issued by the United States Department of Health and Human Services, and ODJFS requirements including Chapter 7 of the Fiscal Administrative Procedures Manual." The Fiscal Administrative Procedures Manual is available at [http://emanuals.odjfs.state.oh.us/emanuals/GetTocDescendants.do?nodeId=%23node-id\(419\)&maxChildrenInLevel=100&version=8.0.0](http://emanuals.odjfs.state.oh.us/emanuals/GetTocDescendants.do?nodeId=%23node-id(419)&maxChildrenInLevel=100&version=8.0.0).

The requirements for cash management for the Department of Health and Human Services are contained in **45 CFR 92.20**, as follows:

Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

C. Cash Management

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

OAC 5101:9-7-02 Child Support Financing is the State rule for cash management. The previous rule was split into three (5101:9-7-02, 5101:9-7-02.1 & 5101:9-7-02.2) effective 9/3/09 and are available at <http://codes.ohio.gov/oac/5101%3A9-7-03>.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that the drawdown Federal cash is only for immediate needs and recipients limit payments to subrecipients to immediate cash needs.

Control Environment

- Appropriate assignment of responsibility for approval of cash drawdowns and payments to subrecipients.
- Budgets for drawdowns are consistent with realistic cash needs.

Risk Assessment

- Mechanisms exist to anticipate, identify, and react to routine events that affect cash needs.
- Routine assessment of adequacy of subrecipient cash needs.
- Management has identified programs that receive cash advances and is aware of cash management requirements.

Control Activities

- Cash flow statements by program are prepared to determine essential cash flow needs.
- Accounting system is capable of scheduling payments for accounts payable and requests for funds from Treasury to avoid time lapse between drawdown of funds and actual disbursements of funds.
- Appropriate level of supervisory review of cash management activities.
- Written policy that provides:
 - Procedures for requesting cash advances as close as is administratively possible to actual cash outlays;
 - Monitoring of cash management activities;
 - Repayment of excess interest earnings where required.

Information and Communication

- Variance reporting of expected versus actual cash disbursements of Federal awards and drawdowns of Federal funds.
- Established channel of communication between pass-through entity and subrecipients regarding cash needs.

Monitoring

- Periodic independent evaluation (e.g. by internal audit, top management) of entity cash management, budget and actual results, repayment of excess interest earnings, and Federal drawdown activities.
- Subrecipients' requests for Federal funds are evaluated.

What control procedures address the compliance requirement?

WP Ref.

What control does the County have to limit cash draws from ODJFS to the minimum amount needed for actual, immediate requirements?

For County subrecipients (subgrantee), what control procedures were established to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable the County to prepare complete and accurate cash transactions reports to the awarding agency?

Suggested Audit Procedures – Compliance (Substantive Tests)

WP Ref.

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.

States and Other Recipients

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

C. Cash Management

- 1) For those programs where Federal cash draws are passed through to subrecipients:
 - a) Select a representative number of the subrecipients and ascertain the procedures implemented to assure that subrecipients minimize the time elapsing between the transfer of Federal funds from the recipient and the pay out of funds for program purposes (45 CFR 92).
 - b) Select a representative number of Federal cash draws by subrecipients and ascertain that they conformed to the procedures.

Other Recipients and Subrecipients

- 2) For those programs that received advances of Federal funds, ascertain (and document) the procedures established with the Federal agency or pass-through entity to minimize the time between the transfer of Federal funds and the pay out of funds for program purposes.
- 3) Select a representative number of Federal cash draws and verify that:
 - a) Where a time limit is placed on the period between drawdown and subsequent disbursement, compare the dates the funds were disbursed and/or checks were presented to the banks for payments, to the dates subsequent disbursements were made.
 - b) Where other than a time limit is the established criteria, review accounting records and other documentation and determine whether the established criteria was complied with.
 - c) Established procedures to minimize the time elapsing between drawdown and disbursement were followed.
 - d) To the extent available, program income, rebates, refunds, and other income and receipts were disbursed before requesting additional cash payments as required by the 45 CFR 92 and 45 CFR 74.
- 4) Where applicable, select a representative number of reimbursement requests and trace to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.
- 5) Review records to determine if interest was earned on Federal cash draws. If so, review evidence to ascertain whether it was returned to the appropriate agency.
- 6) Review the government's system for monitoring advances and payment requests by its subrecipients. Evaluate whether the system is sufficient to limit payments to amounts needed to meet immediate cash requirements.

Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)

A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)

B. Assessment of Control Risk:

C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:

D. Results of Compliance (Substantive Tests) Tests:

E. Questioned Costs: Actual _____ Projected _____

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

D. Davis-Bacon Act
The OMB Compliance Supplement indicates Section D is not applicable to this program.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

E. Eligibility
Audit Objectives
<ol style="list-style-type: none"> 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c). 2) Determine whether required eligibility determinations were made, (including obtaining any required documentation/verifications), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals (including areas of service delivery) participated in the program. 3) Determine whether subawards were made only to eligible subrecipients. 4) Determine whether amounts provided to or on behalf of eligible individuals were calculated in accordance with program requirements.
Compliance Requirements
<p>Eligibility for Individuals</p> <p>Eligible recipients are: (a) individuals applying for or receiving TANF benefits for whom an assignment of child support rights has been made to the State; (b) non-TANF Medicaid recipients; (c) former Aid to Families with Dependent Children/TANF, Title IV-E, or Medicaid recipients who continue to receive child support enforcement services without filing an application; (d) individuals needing such services who have applied to a State child support enforcement agency; and (e) for tribal programs, anyone who applies for IV-D services (42 USC 608(a)(3); 45 CFR sections 302.32(a) and 302.33(a); 45 CFR section 309.65(a)(2)).</p> <p>(Source: 2009 OMB Compliance Supplement)</p>
Program Specific Requirements
<p>Federal requirements set eligibility determinations. An individual completes the IV-D application and the County CSEA has 20 days to process the application and determine eligibility. In addition to the OMB requirement above, ODJFS has procedures required at the local level, as follows.</p> <p>Per ODJFS:</p> <p>OAC 5101:12-10-01 Request for Services. Effective Date: June 15, 2006</p> <ol style="list-style-type: none"> (A) This rule describes requests for support enforcement program services and IV-D services. <ol style="list-style-type: none"> (1) Support enforcement program services include: <ol style="list-style-type: none"> (a) Location of custodial or non-custodial parents or alleged fathers; (b) Establishment of parentage; (c) Establishment and modification of child support orders and medical support orders; (d) Enforcement of support orders; (e) Collection of support obligations; and (f) Any other action appropriate to child support enforcement. (2) IV-D services include: <ol style="list-style-type: none"> (a) Federal income tax refund offset submittals for the collection of support arrears; (b) Withholding of unemployment compensation for the payment of support; (c) Requests to the internal revenue service for the disclosure of taxpayer information for use in establishing and collecting support obligations; and (d) Requests for certification to the U.S. district court when another state has failed to act on an Ohio support order. (B) Definition of terms used in this rule and its supplemental rule:

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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- (1) "IV-D" case means a case that has been approved for IV-D services by a child support enforcement agency (CSEA).
- (2) "Non-IV-D" case means a case that receives support enforcement program services but has not been approved for IV-D services or IV-D services have been terminated.
- (3) "Recipient of IV-D services" means:
 - (a) The person who signed an approved IV-D application with a CSEA; or
 - (b) The parent or caretaker of a child for whom the CSEA received and approved a IV-D referral, as described in paragraphs (C)(3) to (C)(5) of this rule.
- (C) A request for services is initiated when a CSEA receives:
 - (1) A referral of a support order from a court;
 - (2) A signed application for IV-D services;
 - (3) A referral from a county department of job and family services that resulted from an application for OWF or medicaid benefits;
 - (4) A referral from a Title IV-E agency that resulted from a determination of eligibility for Title IV-E foster care maintenance benefits; or
 - (5) A Uniform Interstate Family Support Act interstate petition in accordance with 42 U.S.C. 666(f) (12/14/1999) from the Ohio interstate central registry.
- (D) The CSEA shall provide support enforcement program services in response to a request initiated under paragraph (C)(1) of this rule when no IV-D application is received by the CSEA or paragraph (C)(5) of this rule when the interstate petition indicates that it is for a non-IV-D case.
- (E) The CSEA shall provide support enforcement program services and IV-D services when it has received and approved a request for services initiated under paragraphs (C)(2) to (C)(4) of this rule, and paragraph (C)(5) of this rule when the interstate petition indicates that it is for a IV-D case.

OAC 5101:12-10-01.1 IV-D Application and IV-D Referral. Effective Date: June 15, 2006

- (A) IV-D application.
 - (1) The child support enforcement agency (CSEA) shall make IV-D applications readily accessible to the public. The CSEA shall provide a IV-D application to an individual requesting services on the day the individual makes a request in person or send a IV-D application to the individual within five working days of a written or telephone request.

The CSEA shall not require an individual who is a recipient of IV-D services in another state to sign a IV-D application. The CSEA shall not require an individual for whom it has received a IV-D referral to sign a IV-D application unless, after receipt of the IV-D referral, IV-D services were terminated in accordance with rule 5101:12-10-70 of the Administrative Code.
 - (2) The IV-D application may be filed by an applicant who is not receiving Ohio works first (OWF), medicaid, or Title IV-E foster care maintenance (FCM) benefits and for whom one of the following conditions applies:
 - (a) The applicant resides in the same county as the CSEA;
 - (b) The applicant is either the obligee or obligor in a support order for which the CSEA has administrative responsibility; or
 - (c) The applicant resides in a state other than Ohio or in a foreign country and is not a recipient of IV-D services in his or her state or country of residence.
 - (3) The CSEA shall charge a one dollar IV-D application fee when an individual files a IV-D application. The CSEA may require the applicant to pay the IV-D application fee or may absorb the IV-D application fee.
 - (4) The CSEA shall accept a completed and signed IV-D application was filed on the day the IV-D application was received by the CSEA and the application fee was received or absorbed by the CSEA.
 - (5) When IV-D services were previously terminated, the individual must file a new IV-D application and be charged

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an application fee unless:

- (a) The CSEA receives a IV-D referral; or
- (b) The CSEA is required to reopen the IV-D case for administrative reasons.

(B) A IV-D referral may be received from:

- (1) A county department of job and family services (CDJFS) as a result of an application for OWF or medicaid benefits;
- (2) A Title IV-E agency that resulted from a determination of eligibility for FCM benefits; or
- (3) The Ohio interstate central registry as a result of the receipt of a Uniform Interstate Family Support Act interstate petition in accordance with 42 U.S.C. 666(f) (12/14/1999) for a IV-D case.

When IV-D services were previously terminated and the CSEA receives a new IV-D referral from a CDJFS, medicaid, or Title IV-E agency, the CSEA shall conduct a thorough investigation, which may include a face-to-face interview, phone contact with the recipient of services, or other form of investigation, within the twenty day time frame. If the facts underlying the termination of IV-D services have not changed and are documented in the case record and no new information is available to help provide IV-D services, then the case does not need to be reopened.

(C) The CSEA shall approve a completed and signed IV-D application or a IV-D referral for IV-D services unless the IV-D application or IV-D referral meets a denial criteria described in paragraph (D) of this rule. The CSEA shall provide all appropriate support enforcement program services to a case in which IV-D services were denied.

(D) The CSEA shall deny IV-D services to a IV-D application or a IV-D referral when:

- (1) The non-custodial parent is seeking to locate a child;
- (2) The parent who has been granted custody of a child is seeking to locate and recover that child who may have been removed by the non-custodial parent (in this circumstance the CSEA should refer to rule 5101:12-20-10 of the Administrative Code concerning location services for parental kidnapping and child custody cases);
- (3) An adult child is seeking to locate a parent;
- (4) A child is attempting to reunite with a sibling;
- (5) The applicant is requesting reimbursement for medical costs that have not been reduced to a dollar amount in a court order;
- (6) The applicant requests services that are not available from the CSEA (in this circumstance, the CSEA is responsible for determining, based on the facts and circumstances of the application, whether the requested service is or is not available);
- (7) The referral is for a pregnant woman with no other child;
- (8) The case has already been approved for IV-D services; or
- (9) The child has attained the age of majority unless:
 - (a) The child is attending an accredited high school on a full-time bases and has not attained the age of nineteen;
 - (b) A court order has made special provisions that would extend the duty of support beyond the child's minority;
 - (c) IV-D services are requested to establish paternity and the child has not attained the age of twenty-three; or
 - (d) IV-D services are requested to collect arrears.

OAC 5101:12-1-10.1 IV-D Services Effective Date: June 15, 2006

(A) In accordance with rule 5101:12-1-01 of the Administrative Code, the child support enforcement agency (CSEA) is required to provide support enforcement program services to a case for which it has administrative responsibility. In accordance with section 3125.36 of the Revised Code, a CSEA shall make available a IV-D application to any person requesting a CSEA's assistance to locate the non-custodial parent, establish a paternity or support order, or enforce or

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modify a support order.

- (B) An individual who receives support enforcement program services is eligible for IV-D services when the individual is:
- (1) A recipient of Ohio works first (OWF), medicaid, or Title IV-E foster care maintenance (FCM) benefits for whom an assignment is still in effect;
 - (2) A former recipient of OWF, medicaid, or FCM in whose case there are assigned arrears;
 - (3) A former recipient of OWF, medicaid, or FCM in whose case there are no assigned arrears and IV-D services have not been terminated; and
 - (4) An individual who has signed and filed an application for IV-D services that has been approved by a CSEA and IV-D services have not since been terminated.
- (C) IV-D services include all support enforcement program services described in rule 5101:12-1-10 of the Administrative Code.
- (D) Due to restrictions in federal law, the following IV-D services shall only be provided to an individual who has been approved for IV-D services in accordance with rule 5101:12-10-01.1 of the Administrative Code:
- (1) Federal income tax refund offset submittals for the collection of support arrears;
 - (2) Withholding of unemployment compensation for the payment of support;
 - (3) Requests to the internal revenue service for the disclosure of taxpayer information for use in establishing and collecting support obligations;
 - (4) Requests to the internal revenue service for the collection of delinquent support; and
 - (5) Requests for certification to the U.S. district court when another state has failed to act on an Ohio support order.

OAC 5101:12-10-02 Case Intake. Effective Date: June 15, 2006

- (A) Within twenty days of receipt of a request for services, as described in rule 5101:12-10-01 of the Administrative Code, the child support enforcement agency (CSEA) shall:
- (1) Initiate a IV-D case, in response to the receipt of a IV-D application or IV-D referral, or a non-IV-D case, in response to a request initiated under:
 - (a) Paragraph (C)(1) of rule 5101:12-10-01 of the Administrative Code when no IV-D application is received by the CSEA; or
 - (b) Paragraph (C)(5) of rule 5101:12-10-01 of the Administrative Code when the interstate petition indicates that it is for a non-IV-D case;
 - (2) Establish a case record, as described in rule 5101:12-10-05 of the Administrative Code;
 - (3) Assess the referral or application for completeness and accuracy and determine the appropriate support enforcement program service to be provided;
 - (4) Determine if there is enough location information to proceed with the case and, if not, request additional information or refer the case for additional location attempts;
 - (5) Issue the following forms to the applicant for services:
 - (a) JFS 07647, "Notice of Case Status Application" (rev. 04/1996);
 - (b) JFS 07012, "Rights and Responsibilities of Parents Receiving Child Support Services" (rev. 09/2001); and
 - (c) JFS 04059, "Explanation of State Hearing Procedures" (rev. 04/2005); and
 - (6) Determine which county has administrative responsibility for the case in accordance with rule 5101:12-10-30.1 of the Administrative Code and, if appropriate, transfer the case to the CSEA with administrative responsibility.
- (B) The CSEA may, but is not required to, conduct an interview with the applicant for services in order to obtain information necessary for the establishment or enforcement of a support order. The interview may be a face-to-face or

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group interview or by telephone. When an interview is conducted, the following items may be covered, as appropriate:

- (1) An explanation of the support enforcement program including rights to a state hearing;
- (2) A review of the information contained in the IV-D referral or IV-D application for accuracy and completeness;
- (3) The responsibilities of the individual receiving services and any action that would be taken as a result of the individual's failure to carry out those responsibilities;
- (4) The right to claim good cause as a reason for refusing to cooperate when the applicant is a recipient of Ohio works first, medicaid, or Title IV-E foster care maintenance benefits; and
- (5) A review of any legal documents the caretaker may possess which establishes paternity or the support obligation. These must be supplied to the CSEA. The CSEA shall secure copies of the documents for the CSEA record.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that only eligible individual and organizations receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligible individuals were calculated in accordance with program requirements.

Control Environment

- Staff size and competence provides for proper making of eligibility determinations.
- Realistic caseload/performance targets established for eligibility determinations.
- Lines of authority clear for determining eligibility.

Risk Assessment

- Identification of risk that eligibility information prepared internally or received from external sources could be incorrect.
- Conflict-of-interest statements are maintained for individuals who determine eligibility.
- Process for assessing risks resulting from changes to eligibility determination systems.

Control Activities

- Written policies provide direction for making and documenting eligibility determinations.
- Procedures to calculate eligibility amounts consistent with program requirements.
- Eligibility objectives and procedures clearly communicated to employees.
- Authorized signatures (manual or electronic) on eligibility documents periodically reviewed.
- Access to eligibility records limited to appropriate persons.
- Manual criteria checklists or automated process used in making eligibility determinations.
- Process for periodic eligibility re-determinations in accordance with program requirements.
- Verification of accuracy of information used in eligibility determinations.
- Procedures to ensure the accuracy and completeness of data used to determine eligibility requirements.

Information and Communication

- Information system meets needs of eligibility decision-makers and program management.
- Processing of eligibility information subject to edit checks and balancing procedures.
- Training programs inform employees of eligibility requirements.
- Channels of communication exist for people to report suspected eligibility improprieties.
- Management receptive to suggestions to strengthen eligibility determination process.
- Documentation of eligibility determinations in accordance with program requirements.

Monitoring

- Periodic analytical reviews of eligibility determinations performed by management.
- Program quality control procedures performed.
- Periodic audits of detailed transactions.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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What control procedures address the compliance requirement?	WP Ref.
<p>There is a low inherent risk and minimal eligibility requirements (any individual in need who applies is eligible), auditors may be able to test this in conjunction with the Special Tests and Provisions (Compliance Requirement N).</p> <p>What controls does the County CSEA have in place to ensure recipients of IV-D funding are eligible and that the case was established within the twenty day time frame?</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>Per ODJFS:</p> <ol style="list-style-type: none"> 1. For cases reviewed for eligibility there will either be a JFS 07076 form received or a referral from IV-A, Medicaid or IV-E received. <ol style="list-style-type: none"> a. Review SFRC notes to determine when the application or referral was received by the agency and when a case was established to measure the twenty day time frame. 	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p> <p>B. Assessment of Control Risk:</p> <p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p> <p>D. Results of Compliance (Substantive Tests) Tests:</p> <p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

F. Equipment and Real Property Management
Audit Objectives
<ol style="list-style-type: none"> 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c). 2) Determination whether the non-Federal entity maintains proper records for equipment and adequately safeguards and maintains equipment. 3) Determine whether disposition or encumbrance of any equipment acquired under Federal awards is in accordance with Federal requirements and that the awarding agency was compensated for its share of any property sold or converted to non-Federal use.
Compliance Requirements – General
<p><i>Equipment Management</i></p> <p>Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.</p> <p>A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Local governments shall use State laws and procedures for equipment acquired under a subgrant from a State.</p> <p>Local governments and subgrantees shall follow 45 CFR 92 for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of 45 CFR 74. Basically, 45 CFR 92 and 45 CFR 74 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.</p> <p>The requirements for equipment are contained in the 45 CFR 92, 45 CFR 74, Federal awarding agency program regulations, and the terms and conditions of the award.</p> <p>Under State programs, equipment that is capitalized or depreciated or is claimed in the period acquired and charged to more than one program is subject to 45 CFR section 95.707(b) in lieu of the requirements of 45 CFR section 95.707(b). (Source: 2009 OMB Compliance Supplement)</p> <p><i>Real Property Management – n/a - Per ODJFS, CSEA monies cannot be used for acquiring real property.</i></p>
Compliance Requirements – Program Specific Requirements
<p>The use, management and disposition of equipment acquired under a subgrant of federal monies is subject to the requirements of 45 CFR 92.32 and Ohio Administrative Code (OAC) Rules 5101:9-4-02, Standards of Acquisition, 5101:9-4-15, Disposal of Assets, 5101:9-4-10, Asset Reimbursement Methods and 5101:9-4-11 Rental Costs and Lease Agreements.</p> <p>45 CFR § 92.32 Equipment.</p> <ol style="list-style-type: none"> (a) <i>Title.</i> Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively. (b) <i>States.</i> A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. (c) <i>Use.</i> <ol style="list-style-type: none"> (1) Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

F. Equipment and Real Property Management

longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.

- (2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.
 - (3) Notwithstanding the encouragement in § 92.25(a) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute.
 - (4) When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.
- (d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- (e) *Disposition.* When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:
- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
 - (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
 - (3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.
- (f) *Federal equipment.* In the event a grantee or subgrantee is provided federally-owned equipment:
- (1) Title will remain vested in the Federal Government.
 - (2) Grantees or subgrantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory listing.
 - (3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the Federal agency.
- (g) *Right to transfer title.* The Federal awarding agency may reserve the right to transfer title to the Federal Government or a third part named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers shall be subject to the following standards:
- (1) The property shall be identified in the grant or otherwise made known to the grantee in writing.
 - (2) The Federal awarding agency shall issue disposition instruction within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar-day period the grantee shall follow Sec. 92.32(e).
 - (3) When title to equipment is transferred, the grantee shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

OAC 5101:9-4-02 (eff. 9-12-05) states "each county job and family services agency and workforce development agency shall establish written acquisition standards to ensure that all purchases of services, supplies, and equipment are performed in accordance with applicable state law and regulations, including all of the requirements of this chapter, and applicable federal law and regulations..".

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OAC 5101:9-4-15 (eff. 2-18-07) states “Assets acquired in whole or in part with federal funds must be disposed of in compliance with the office of management and budget (OMB) circular A-87 attachment B, and the code of federal regulations 2 (C.F.R.) part 225, 7 C.F.R. part 277, 29 C.F.R. part 97, and 45 C.F.R. part 92 and part 95 in accordance with state and local requirements. The most restrictive regulations shall apply.” This section also states the County Commissioners must be notified for disposal of assets and gives disposal options when an asset is not needed for public use or is obsolete or unfit for the use for which it was acquired.

OAC 5101:9-4-11 (eff. 11-20-06) states “The county family service agency shall follow federal, state, and local regulations when seeking federal financial participation (FFP) for the costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with office of budget and management (OMB) Circular A-87, attachment B and Code of Federal Regulations (C.F.R.) 2 C.F.R. part 225.” This section also gives guidance on determining the reasonableness of the costs.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use.

Control Environment

- Management committed to providing proper stewardship for property acquired with Federal awards.
- No incentives exist to under-value assets at time of disposition.
- Sufficient accountability exists to discourage temptation of misuse of Federal assets.

Risk Assessment

- Procedures to identify risk of misappropriation or improper disposition of property acquired with Federal awards.
- Management understands requirements and operations sufficiently to identify potential areas of noncompliance (e.g., decentralized locations, departments with budget constraints, transfers of assets between departments).

Control Activities

- Accurate records maintained on all acquisitions and dispositions of property acquired with Federal awards.
- Property tags are placed on equipment.
- A physical inventory of equipment is periodically taken and compared to property records.
- Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
- Procedures established to ensure that the Federal awarding agency is appropriately reimbursed for dispositions of property acquired with Federal awards.
- Policies and procedures in place for responsibilities of recordkeeping and authorities for disposition.

Information and Communication

- Accounting system provides for separate identification of property acquired wholly or partly with Federal funds and with non-Federal funds.
- A channel of communication exists for people to report suspected improprieties in the use or disposition of equipment.
- Program managers are provided with applicable requirements and guidelines.

Monitoring

- Management reviews the results of periodic inventories and follows up on inventory discrepancies.
- Management reviews dispositions of property to ensure appropriate valuation and reimbursement to Federal awarding agencies.

What control procedures address the compliance requirement?

WP Ref.

1. Are policies and procedures in place to establish responsibility for the required recordkeeping for equipment?

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

F. Equipment and Real Property Management	
<p>2. Are policies and procedures in place to ensure the maintenance of property records including the following information for federally funded equipment:</p> <ul style="list-style-type: none"> • Description of the property; • Serial number or other identifying number; • Source of the property; • Who holds title to the property; • Acquisition date of the property; • Cost of the property; • The percentage of federal participation in the cost of the property (if property records indicate the original coding of the cost upon acquisition, this should be sufficient); • Location, use and condition of the property; and • Disposition of the property, including the date of disposal and the sale price. <p>3. Did the County JFS develop a written policy as required for the reimbursement of costs of local agency/area assets that complies with state, federal, and local requirements and includes asset classification standards and a useful life schedule in accordance?</p> <p>4. Are there policies and procedures in place for the disposition of equipment in accordance with the federal requirements?</p> <p>5. Were the County Commissioners notified of the need for the disposal of the asset?</p> <p>6. Are there policies and procedures in place for remitting to the federal government their share of the proceeds of amounts received from the sale or other disposition of equipment?</p> <p>7. How do you ensure that such policies and procedures are in place and operating as planned?</p> <p>8. Are there policies and procedures in place to follow federal, state, and local regulations when seeking federal financial participation (FFP) for the costs associated with the rent or lease of property or equipment?</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>1) Obtain the entity’s policies and procedures for equipment management and ascertain if they comply with the State’s policies and procedures.</p> <p>2) Select a representative number of equipment transactions and test for compliance with the State’s policies and procedures for management and disposition of equipment.</p> <p>3) <i>Inventory Management of Equipment</i></p> <p>a) Inquire if a required physical inventory of equipment acquired under Federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved. Review documentation to corroborate management’s comments.</p> <p>b) Identify equipment acquired under Federal awards during the audit period and trace selected purchases to the property records. Verify that the property records contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value (if reimbursement is required).</p> <p>c) Select a representative number of equipment identified as acquired under Federal awards from the property records and physically inspect the equipment including whether the equipment is</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

F. Equipment and Real Property Management	
<p>appropriately safeguarded and maintained.</p> <p>4) <i>Disposition of Equipment</i></p> <p>a) Determine the amount of equipment dispositions for the audit period and perform procedures to verify that dispositions were properly classified between equipment acquired under Federal awards and equipment otherwise acquired.</p> <p>b) For dispositions of equipment acquired under Federal awards, perform procedures to verify that the dispositions were properly reflected in the property records.</p> <p>c) For dispositions of equipment acquired under Federal awards with a current per-unit fair market value of \$5000 or more, test whether the awarding agency was reimbursed for the appropriate Federal share.</p> <p>5) Determine if equipment reimbursement of costs of local agency/area assets complies with state, federal, and local requirements and includes asset classification standards and a useful life schedule in accordance.</p> <p>6) Determine if the county family service agency followed federal, state, and local regulations when seeking federal financial participation (FFP) for the costs associated with the rent or lease of property or equipment.</p>	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p> <p>B. Assessment of Control Risk:</p> <p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p> <p>D. Results of Compliance (Substantive Tests) Tests:</p> <p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

G. Matching, Level of Effort, Earmarking

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) *Matching* – Determine whether the minimum amount or percentage of contributions or matching funds was provided.
- 3) *Level of Effort* – Determine whether specified service or expenditure levels were maintained.
- 4) *Earmarking* – Determine whether minimum or maximum limits for specified purposes or types of participants were met.

Compliance Requirements

1. Matching

State programs

The Federal share of program costs related to determining paternity, including those related to the planning, design, development, installation and enhancement of the statewide computerized support enforcement system is 66 percent. For costs incurred on or before September 30, 2006, the Federal share of laboratory costs for determining paternity was 90 percent (42 USC 655(a)(1)(C) and (a)(2)(C); 45 CFR sections 304.20(c) and 304.30). Effective October 1, 2006, the Federal share of laboratory costs for determining paternity is 66 percent (DRA, Section 7308).

Tribal programs

The Federal share of program costs is 90 percent for the first 3 years and 80 percent thereafter. Unless waived by the Secretary, the tribe or tribal organization must provide the 10 percent and 20 percent share, respectively (45 CFR sections 309.130(c), (d), and (e)).

2. **Level of Effort** - Not Applicable at Federal Level.

3. **Earmarking** - Not Applicable at Federal Level.

(Source: 2009 OMB Compliance Supplement)

45 CFR 304.20 Availability and rate of Federal financial participation – this section provides detail on what the federal matching rate is available for, such as necessary expenditures for support enforcement services and activities specified in this section and 304.21 and IV-D eligible services, etc. Auditors should review this section for additional information.

45 CFR 304.21 Federal financial participation in the costs of cooperative arrangements with courts and law enforcement officials – this section provides detail on what the federal matching rate is available for in the costs of cooperative arrangements with appropriate courts and law enforcement officials in accordance with the requirements of 302.34 of chapter 45 when performed under written agreement. This section defines law enforcement officials to mean district attorneys, attorney generals, and similar public attorneys and prosecutors and their staff. Auditors should review this section for additional information.

For matching, 45 CFR 92 and 45 CFR 74 provide 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 federally assisted project or program, unless specifically allowed by Federal program laws and regulations.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowed under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be allowable for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.
- Conform to other applicable provisions of the 45 CFR 92 and 45 CFR 74 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

G. Matching, Level of Effort, Earmarking

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.

Compliance Requirements - Program Specific Requirements

As noted above and in the Introduction Part II, for Child Support, the Federal share is 66% so the County JFS would be reimbursed 66% from Federal share and 34% from State allocations or they could use county funding for the 34% local match. This allocation is programmed into CFIS so auditors are not required to test the allocation. Federal monies are unlimited as long as the County has the available match. Once the state allocation is exhausted, counties can use local monies to meet the matching requirement.

State allocation monies can be used for matching requirements. See OAC 5101:9-6-80 State Child Support Allocations rule and other OAC sections noted in the Introduction, Part II, Program Funding section of this FACCR.

Per the Fiscal Administrative Procedure Letter (FAPL) No. 14, dated May 14, 2009, the American Recovery and Reinvestment Act (ARRA) had the following impact on Child Support Incentives:

The American Recovery and Reinvestment Act (ARRA) temporarily reverses a provision in the Deficit Reduction Act of 2005 that ended the practice of providing federal matching funds for the state expenditure of incentive payments. The new ARRA provision is effective October 1, 2008 through September 30, 2010. ODJFS will receive the additional match funding based on incentive funds used during federal fiscal year (FFY) 2009 and FFY 2010 (October 1, 2008 through September 30, 2010), including incentives earned and not spent in prior years. Incentive payments expended during FFY 2008 (October 1, 2007 through September 30, 2008) are not eligible for additional federal funds.

First quarter FFY 2009

The quarter ending December 31, 2008 - the federal Office of Child Support Enforcement (OCSE) will compute the federal financial participation (FFP) share at sixty-six percent and issue an award in that amount to ODJFS in the quarter following the reporting quarter.

- ODJFS will distribute the federal match of sixty-six percent to the CSEA as a child support incentive reimbursement to each CSEA that reported using incentives to pay IV-D expenditures during the quarter ending December 31, 2008.
- The CSEA may use this funding for local match purposes in order to claim FFP for IV-D expenditures using the County Finance Information System (CFIS) coding established for this purpose.

Second quarter FFY 2009

The quarter ending March 31, 2009 - ODJFS will compute the FFP share of IV-D expenditures reported as paid for by child support incentives during the January through March quarter.

- ODJFS will distribute the federal match of sixty-six percent share to the CSEA upon receipt of the grant award from

G. Matching, Level of Effort, Earmarking

OCSE.

- The CSEA may use this funding for local match purposes in order to claim FFP for IV-D expenditures using CFIS coding established for this purpose.

Third quarter FFY 2009 through fourth quarter FFY 2010

Effective April 1, 2009 - September 30, 2010, a CSEA may use incentive funds for the local match and may use incentives accumulated at the county level as match by using the CFIS coding established for this purpose

New CFIS coding for the use of incentives during the remainder of FFY 2009 and FFY 2010 will be communicated by the Office of Fiscal and Monitoring Services, Bureau of County Finance and Technical Assistance.

ODJFS will continue to send new child support incentive payments to the CSEA on a monthly basis.

The requirements of Section 458(f) of the Social Security Act and 45 CFR 305.35 regarding reinvestment of incentive funds remains in effect. All funding returned to the CSEA from the ARRA provision shall be used for the purpose of carrying out child support enforcement program activities under Title IV-D of the Social Security Act.

Continuous monitoring will be conducted to ensure compliance with financial and program provisions. Written communication regarding this monitoring will be sent to the monitored party, program office and fiscal office of

ODJFS. This communication will be used to offer technical assistance and require corrective action as needed.

Should you have questions regarding this FAPL, please contact your ODJFS fiscal supervisor in the Bureau of County Finance and Technical Assistance at (614) 752-9194.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that matching, level of effort, or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued.

Control Environment

- Commitment from management to meet matching, level of effort, and earmarking requirements (e.g., adequate budget resources to meet a specified matching requirement or maintain a required level of effort).
- Budgeting process addresses/provides adequate resources to meet matching, level of effort, or earmarking goals.
- Official written policy exists outlining:
 - Responsibilities for determining required amounts or limits for matching, level of effort, or earmarking;
 - Methods of valuing matching requirements, e.g., "in-kind" contributions or property and services, calculations of levels of effort;
 - Allowable costs that may be claimed for matching, level of effort, or earmarking;
 - Methods of accounting for and documenting amounts used to calculate amounts claimed for matching, level of effort, or earmarking.

Risk Assessment

- Identification of areas where estimated values will be used for matching, level of effort, or earmarking.
- Management has sufficient understanding of the accounting system to identify potential recording problems.

Control Activities

- Evidence obtained such as a certification from the donor, or other procedures performed to identify whether matching contributions:
 - Are from non-Federal sources;
 - Involve Federal funding, directly or indirectly;
 - Were used for another federally-assisted program;
 - Note: Generally, matching contributions must be from a non-Federal source and may not involve Federal funding

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

G. Matching, Level of Effort, Earmarking	
<p>or be used for another federally assisted program.</p> <ul style="list-style-type: none"> • Adequate review of monthly cost reports and adjusting entries. <p>Information and Communication</p> <ul style="list-style-type: none"> • Accounting system capable of: <ul style="list-style-type: none"> - Separately accounting for data used to support matching, level of effort, or earmarking amounts or limits or calculations; - Ensuring that expenditures or expenses, refunds, and cash receipts or revenues are properly classified and recorded only once as to their effect on matching, level of effort, or earmarking; - Documenting the value of "in-kind" contributions of property or services, including: <ul style="list-style-type: none"> ▪ Basis for local labor market rates for valuing volunteer services; ▪ Payroll records or confirmation from other organizations for services provided by their employees; ▪ Quotes, published prices, or independent appraisals used as the basis for donated equipment, supplies, land, building, or use of space. <p>Monitoring</p> <ul style="list-style-type: none"> • Supervisory review of matching, level of effort, or earmarking activities performed to assess the accuracy and allowability of transactions and determinations, e.g., at the time reports on Federal awards are prepared. 	
What control procedures address the compliance requirement?	WP Ref.
What controls does the County CSEA have in place to ensure compliance with the matching requirements?	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>1) Matching</p> <p>a) Compute the amount of match required and determine whether the amount provided was sufficient to meet the requirements.</p> <p>b) Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source.</p> <p>c) Test transactions used to match for compliance with the allowable costs/cost principles requirement. This test may be performed in conjunction with the testing of the requirements related to allowable costs/cost principles.</p> <p>2) <i>Level of Effort – n/a</i></p> <p>3) <i>Earmarking – n/a</i></p>	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p> <p>B. Assessment of Control Risk:</p> <p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p> <p>D. Results of Compliance (Substantive Tests) Tests:</p> <p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

H. Period of Availability of Federal Funds

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether Federal funds were obligated within the period of availability, obligations were not incurred either before or after the period of availability unless specifically permitted, and obligations were liquidated within the required time period.

Compliance Requirements – General

Federal awards may specify a time-period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charges for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (45 CFR 92 ; 45 CFR 74).

Non-Federal entities subject to the 45 CFR 92 shall liquidate all obligation incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline upon request (45 CFR 92).

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:

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-agreement cost that was properly approved by the State under the applicable cost principles.	On the first day of the subgrant period.

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 in an attempt to offset audit disallowances. The disallowed costs must be refunded.

Per the 2009 OMB Compliance Supplement:

State programs - This program operates on a cash accounting basis and each year's funding and accounting is discrete; i.e., there is no carry-forward of unobligated funds. To be eligible for Federal funding, claims must be submitted to ACF within two years after the calendar quarter in which the State made the expenditure. This limitation does not apply to any claim for an adjustment to prior year costs or resulting from a court-ordered retroactive adjustment (45 CFR sections 95.7, 95.13, and 95.19).

H. Period of Availability of Federal Funds

Compliance Requirements – Program Specific Requirements

While the CFR requires expenditures to be reported within two years after the expense, ODJFS requires the County JFS to submit all expenditures within seven quarters after the expense is incurred. See following OAC code.

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

OAC 5101:9-7-02 states that 45 CFR part 95.7 requires expenditures be reported within two years after the expense was incurred. This rule is being updated for a 7/1/09 effective date.

5101:9-7-02.2 Child support enforcement agency (CSEA) annual and grant closeout. (Effective: 09/03/2009) states in Section (E):

(E) Prior period coding adjustments.

45 C.F.R. 95.7 requires that expenditures be reported within two years after the expense was incurred. Consistent with those regulations, requests for ODJFS coding adjustments must be submitted to ODJFS one quarter prior to the end of the two-year period to allow ODJFS to compile federal reports and submit for federal reimbursement.

(1) CSEAs shall submit requests for coding adjustments to ODJFS through the quarterly information consolidated plus (QuIC+) for upload into CFIS no later than seven quarters after the expense was incurred.

(a) The CSEA shall determine how the expenditure was originally reported and submit a coding adjustment to the same grant or state allocation, if still within the period of availability.

(b) If the grant or state allocation that the expenditure was charged is no longer available, the CSEA shall make the coding adjustment against the current year's grant or allocation.

(2) Additional federal funding resulting from prior period adjustments shall be available by draw requests or as part of the annual closeout process.

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

Replaces: Part of 5101:9-7-02

Prior to 9-12-09 these same requirements were part of 5101.9-7-02 section E. ODJFS split the rule 9-3-09 into three different rules. 5101:9-7-02; 5101:9-7-02.1; 5101:9-7-02.2. These three sections also include child support funding, reconciliation and closeout procedures. For more information, auditors should refer to this section.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that federal funds are used only during the authorized period of availability.

Control Environment

- Management understands and is committed to complying with period of availability requirements.
- Entity's operations are such that it is unlikely there will be Federal funds remaining at the end of the period of availability.

Risk Assessment

- The budgetary process considers period of availability of Federal funds as to both obligation and disbursement.

H. Period of Availability of Federal Funds	
<ul style="list-style-type: none"> • Identification and communication of period of availability cut-off requirements as to both obligation and disbursement. <p>Control Activities</p> <ul style="list-style-type: none"> • Accounting system prevents obligation or expenditure of Federal funds outside of the period of availability. • Review of disbursements by person knowledgeable of period of availability of funds. • End of grant period cut-offs are met by such mechanisms as advising program managers of impending cut-off dates and review of expenditures just before and after cut-off date. • Cancellation of unliquidated commitments at the end of the period of availability. <p>Information and Communication</p> <ul style="list-style-type: none"> • Timely communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditure, including automated notifications of pending deadlines. • Periodic reporting of unliquidated balances to appropriate levels of management and follow-up. <p>Monitoring</p> <ul style="list-style-type: none"> • Periodic review of expenditures before and after cut-off date to ensure compliance with period of availability requirements. • Review by management of reports showing budget and actual for period. 	
What control procedures address the compliance requirement?	WP Ref.
<p>What procedures does the County JFS have in place to report expenditures within two years after the expense incurred?</p> <p>What procedures does the County JFS have in place for coding adjustments submitted to ODJFS one quarter prior to the end of the two-year period?</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<ol style="list-style-type: none"> 1) Test a representative number of transactions charged to the Federal award after the end of the period of availability and verify that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. 2) Test a representative number of transactions that were recorded during the period of availability and verify that the underlying obligations occurred within the period of availability. 3) Select a representative number of adjustments during the audit period to the Federal funds and verify that the adjustments were for transactions that occurred during the period of availability. 	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p> <p>B. Assessment of Control Risk:</p> <p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p> <p>D. Results of Compliance (Substantive Tests) Tests:</p> <p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

I. Procurement and Suspension and Debarment

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether procurements were made in compliance with the provisions of the 45 CFR 92, 45 CFR 74, and other procurement requirements specific to an award.
- 3) Determine whether the non-Federal entity obtained the required certifications for covered contracts and subawards.

Compliance Requirements – General

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in 45 CFR 92.

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in 45 CFR 74. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of 45 CFR 92 and 45 CFR 74.

Requirements for procurement are contained in 45 CFR 92, 45 CFR 74, Federal awarding agency regulations, and the terms of the award. The specific references for 45 CFR 92 and 45 CFR 74, respectively are given for each procedure indicated below. (The first number listed refers to 45 CFR 92 and the second refers to 45 CFR 74.)

For local governments in Ohio, testing compliance with State and Local procurement laws and policies will generally be sufficient to address the federal procurement requirements. Where significant weaknesses in procurement controls are noted, or when questionable procurement practices are used for a significant amount/number of procurements, auditors should refer to 45 CFR 92 section §____.36 and the terms of the specific award.

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000 (the "small purchase" or "simplified acquisition threshold"). A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date "covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. §____.220 of the government-wide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity (§____.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

Governmentwide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

I. Procurement and Suspension and Debarment

CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the common rule published November 26, 2003 is substantially the same as that rule. Most of the Federal agencies have adopted this guidance and relocated their associated agency rules in Title 2 of the CFR as final rules. For any agency that has not completed its adoption of 2 CFR part 180, pending completion of that adoption, agency implementations of the common rule remain in effect. Appendix II includes the current CFR citations for all agencies. In either case, the applicable requirements are specified in the terms and conditions of award.

Compliance Requirements - Program Specific Requirements

OAC 5101:9-4-02 Standards for Acquisition. (eff.9-12-05)

(A) Each county job and family services agency and workforce development agency shall establish written acquisition standards to ensure that all purchases of services, supplies, and equipment are performed in accordance with applicable state law and regulations, including all of the requirements of this chapter, and applicable federal law and regulations including office of management and budget (OMB) Circulars A-87 and A-102, and 7 C.F.R. 3016.36 applicable to expenditure of food and nutrition service funds, 29 C.F.R. 95 applicable to not for profit organizations expending department of labor (D.O.L.) funds, and 29 C.F.R. 97 applicable to governments expending D.O.L. funds, 45 C.F.R. 74 to not for profit organizations expending department of health and human services (HHS) funds and 45 C.F.R. 92 applicable to government expending HHS funds, and OMB Circulars A-87, A-102, and A-133. This chapter contains a number of provisions from the applicable federal rules, but not all such provisions. County family services agencies and workforce development agencies shall refer to all applicable federal and state acquisition requirements in developing their acquisition standards. These acquisition standards are the procedures the county family services agency and workforce development agency will follow in making acquisitions. Such written standards shall contain, at a minimum, all of the provisions of this chapter. County standards may contain additional, more restrictive provisions adopted by the county or workforce development agency which do not conflict with the provisions of this chapter. County acquisition standards are applicable to all state or federal funds received from the Ohio department of job and family services (ODJFS), as well or any county funds used to match state or federal funds received from ODJFS. The requirements contained in this section are not applicable to acquisitions made exclusively with county funds, and which are not used to match state or federal funds received from ODJFS.

(B) Each county family services agency and workforce development agency is legally responsible to ensure that all acquisitions meet the acquisition standards established under this section and all applicable federal and state procurement requirements contained in OMB circulars and federal and state law and rules. The county family services agency and workforce development agency must ensure that all county family services agency and workforce development agency employees know and comply with these acquisition standards.

(C) Each county job and family services, child support enforcement, workforce development , and children services agency shall ensure that any sub-grantee entity is aware of the requirements contained in paragraph (A) of this rule and is given written notice contained in any contract or grant agreement that all acquisitions made by the sub-grantee entity must conform to these requirements.

As noted in ODJFS' Guided Self-Assessment (GSA):

45 CFR 92.36 includes procurement requirements.

Section (d) currently authorizes the use of four procurement methods. These methods are:

- Small purchase procedures;
- Sealed bids;
- Competitive proposals; and
- Noncompetitive proposals.

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

OAC 5101:9-4-07 (eff. 10-30-06) also includes the procurement requirements as noted below in GSA under 45 CFR

I. Procurement and Suspension and Debarment

92.36. Auditors should review these requirements for specific information on the procurement methods.

Auditors should review OAC 5101:9-4-07 and 45 CFR 92.36 for further detail on the procurement methods above as well as other procurement requirements. The ODJFS Guided Self-Assessment (GSA) includes specific references for 45 CFR 92.36.

Additional note: Ohio CSEA Directors' Association (Association) informed AOS June 24, 2009 they are in the process of a state-wide procurement contract on behalf of counties for on-line verifications of income on clients for whom the county agencies have cases. Previously, ODJFS procured the contract on behalf of counties, however the Association indicated counties were given notice in April/May 09 that ODJFS would no longer procure this contract. 45 CFR 92.36 encourages grantees and subgrantees to enter into State and local intergovernmental agreements for procurement or use of common goods and services. The cost individually for the counties is much higher than a state-wide contract; therefore, the Association chose to procure this contract under ORC 9.48 B2 and C on behalf of counties for efficiency purposes. The Association will be obtaining participation agreements from all the county agencies that want to use the contract and will be charging a .10 per transaction administrative fee. Those counties not wanting to use the contract can procure their own contract for such services.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of 45 CFR 92 or 45 CFR 74, as applicable, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.

Control Environment

- Existence and implementation of codes of conduct and other policies regarding acceptable practice, conflicts-of-interest, or expected standards of ethical and moral behavior for making procurements.
- Procurement manual that incorporated Federal requirements.
- Absence of pressure to meet unrealistic procurement performance targets.
- Management's prohibition against intervention or overriding established procurement controls.
- Board or governing body oversight required for high dollar, lengthy, or other sensitive procurement contracts.
- Adequate knowledge and experience of key procurement managers in light of responsibilities for procurements for Federal awards.
- Clear assignment of authority for issuing purchasing orders and contracting for goods and services.

Risk Assessment

- Procedures to identify risks arising from vendor inadequacy, e.g., quality of goods and services, delivery schedules, warranty assurances, user support.
- Procedures established to identify risks arising from conflicts-of-interest, e.g., kickbacks, related party transactions, bribery.
- Management understands the requirements for procurement and suspension and debarment, and, given the organization's staff, departments, and processes, has identified where noncompliance could likely occur.
- Conflict-of-interest statements are maintained for individuals with responsibility for procurement of goods or services.

Control Activities

- Job description or other means of defining tasks that comprise particular procurement jobs.
- Contractor's performance with the terms, conditions, and specifications of the contract is monitored and documented.
- Establish segregation of duties between employees responsible for contracting and accounts payable and cash disbursing.
- Procurement actions appropriately documented in the procurement files.
- Supervisors review procurement and contracting decisions for compliance with Federal procurement policies.
- Procedures established to verify that vendors providing goods and services under the award have not been suspended or debarred by the Federal Government.
- Official written policy for procurement and contracts establishing:
 - Contract files that document significant procurement history.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

I. Procurement and Suspension and Debarment	
<ul style="list-style-type: none"> - Methods of procurement, authorized including selection of contract type, contractor selection or rejection, and the basis of contract price. - Verification that procurements provide full and open competition. - Requirements for cost or price analysis, including for contract modifications. - Obtaining and reacting to suspension and debarment certifications. - Other applicable requirements for procurements under Federal awards are followed. • Official written policy for suspension and debarment that: <ul style="list-style-type: none"> - Contains or references the Federal requirements; - Prohibits that award of a subaward, covered contract, or any other covered agreement for program administration, goods, services, or any other program purpose with any suspended or debarred party; and - Requires staff to determine that entities receiving subawards of any value and procurement contracts equal to or exceeding \$25,000 and their principals are not suspended or debarred, and specifies the means that will be used to make that determination, i.e., checking the <i>Excluded Parties Listing System (EPLS)</i>, which is maintained by the General Services Administration; obtaining a certification; or inserting a clause in the agreement. <p>Information and Communication</p> <ul style="list-style-type: none"> • A system in place to assure that procurement documentation is retained for the time period required by 45 CFR 92, 45 CFR 74, award agreements, contracts, and program regulations. Documentation includes: <ul style="list-style-type: none"> - The basis for contractor selection; - Justification for lack of competition when competitive bids or offers are not obtained; and - The basis for award cost or price. • Employees' procurement duties and control responsibilities are effectively communicated. • Procurement staff are provided a current hard-copy <i>EPLS</i> or have on-line access. • Channels of communication are provided for people to report suspected procurement and contracting improprieties. <p>Monitoring</p> <ul style="list-style-type: none"> • Management periodically conducts independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended. 	
What control procedures address the compliance requirement?	WP Ref.
<p>Has the County JFS agency established written acquisition standards to ensure that all purchases of services, supplies, and equipment performed in accordance with applicable state / federal law and regulations?</p> <p>Has the County JFS agency established procedures to ensure that any sub-grantee entity was aware of the requirements contained in paragraph (A) of the OAC rule above and given written notice contained in any contract or grant agreement that all acquisitions made by the sub-grantee entity must conform to these requirements?</p> <p>The ODJFS Guided Self-Assessment (GSA) requests County JFS offices to provide controls over procurement. Auditors should review the information provided by the County JFS for this assessment to help gain an understanding of the procedures in place.</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<ol style="list-style-type: none"> 1) Test a representative number of procurements to ascertain if the State's laws and procedures were followed and that the policies and procedures used were the same as for non-Federal funds. 2) Select a representative number of procurements and subawards and— <ol style="list-style-type: none"> a) Test whether the non-Federal entities performed a verification check for covered transactions, by checking the EPLS, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity; and 	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

I. Procurement and Suspension and Debarment	
b) Test the sample of procurements and subawards against the EPLS and ascertain if covered transactions or subawards were awarded to suspended or debarred parties.	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items) B. Assessment of Control Risk: C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size: D. Results of Compliance (Substantive Tests) Tests: E. Questioned Costs: Actual _____ Projected _____	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

J. Program Income

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether program income is correctly determined, recorded, and used in accordance with the program requirements, 45 CFR 92, and 45 CFR 74, as applicable.

Compliance Requirements – General

Program income is gross income received that is directly generated by the federally funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grants funds. Except as otherwise provided in the Federal awarding agency regulations or terms and conditions of the award, program income does not include interest on grant funds (covered under "Cash Management"), rebates, credits, discounts, refunds, etc. (covered under "Allowable Costs/Cost Principles"), or interest earned on any of them (covered under "Cash Management"). Program income does not include the proceeds from the sale of equipment or real property (covered under "Equipment and Real Property Management").

Usually program income may be used in one of three methods: deducted from outlays, added to the project budget, or used to meet matching requirements. However, OAC 5101:12-1-53 below gives specific guidance on Child Support program income.

The Federal requirements for program income are found in 45 CFR 92 and 45 CFR 74, Federal awarding agency laws, program regulations, and the provisions of the contract or grant agreements pertaining to the program

Compliance Requirement - Program Specific Requirements

Per ODJFS, County CSEAs receive an administrative fee for payments of support. The administrative fee received on IV-D cases only is program income for the Child Support Enforcement program. Counties report administrative fee receipts in the Quic+ program and it is captured on their Form JFS 02750 and reduces future allocations. County JFS offices can run reports from this SETS program to determine population for testing.

OAC: 5101:12-1-53 Program Income Effective Date: May 15, 2008

(A) Revenues resulting from Title IV-D case activity shall be considered IV-D program income and shall not be used as any portion of the nonfederal share of program funding. Revenues resulting from Title IV-D case activity are deducted from expenditures presented for federal reimbursement. IV-D program income revenue shall be used for the operation of the IV-D child support program.

(B) Only revenues resulting from Title IV-D case activity shall be considered IV-D program income. Revenues resulting from non-IV-D case activity may be used at the discretion of the child support enforcement agency (CSEA) or the Ohio department of job and family services (ODJFS), including being used to provide the nonfederal share of funds for the child support program.

(C) The CSEA must report as revenue on the JFS 02750, "Child Support Administrative Fund Monthly Financial Statement" (rev. 10/2005), all program income described in this rule that is allocated to the CSEA and income the CSEA collects and retains.

(D) Paragraphs (D)(1) to (D)(8) of this rule identify the various forms of program income.

(1) The processing charge collected on Title IV-D cases shall be considered IV-D program income to the CSEA.

(2) Any amount earned through investment of IV-D collections, such as interest earned from collections made on behalf of child support obligees, shall be considered IV-D program income. If a CSEA or ODJFS pays service fees on an income-producing account, only the net amount (investment income less service fees) shall be reported. The CSEA or ODJFS shall maintain a record of investment revenue and service fees relative to the depository account.

J. Program Income

There is no net investment income to report nor transfer if the service fees exceed investment income.

- (3) Recovered IV-D allowable payments such as IV-D allowable clerk of court fees, court costs, and genetic testing fees for paternity determination made by the CSEA shall be considered IV-D program income. If any of these items are returned to ODJFS, it is program income to ODJFS. If any is retained at the CSEA, it becomes program income to the CSEA through the administrative fund.
- (4) When the CSEA does not absorb the IV-D application fee, the fee shall be considered IV-D program income to the CSEA.
- (5) The CSEA may charge miscellaneous fees, such as photocopy charges, provided the fee charged is sufficient to cover costs yet nominal enough not to discourage the right of access to information in the files. The fees charged for services on IV-D cases shall be considered IV-D program income to the CSEA through the administrative fund.
- (6) Unclaimed funds.
 - (a) A IV-D payment that becomes unclaimed pursuant to rule 5101:12-10-65 of the Administrative Code shall be reported as program income. At such time that the payment is claimed by its owner, unclaimed funds collected by the owner shall be reported as a reduction to program income.
 - (b) A IV-D payment that loses unclaimed status pursuant to former rule 5101:1-29-71.2 of the Administrative Code shall be reported as program income.
- (7) Interest paid pursuant to section 3123.17 of the Revised Code on assigned arrears shall be considered IV-D program income to ODJFS.
- (8) Any fine imposed in a IV-D case that the CSEA or ODJFS has retained shall be considered IV-D program income.

(Source: Child Support Program Manual)

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements.

Control Environment

- Management recognizes its responsibilities for program income.
- Management's prohibition against intervention or overriding controls over program income.
- Realistic performance targets for the generation of program income.

Risk Assessment

- Mechanism in place to identify the risk of unrecorded or miscoded program income.
- Variances between expected and actual income analyzed.

Control Activities

- Pricing and collection policies procedures clearly communicated to personnel responsible for program income.
- Mechanism in place to ensure that program income is properly recorded as earned and deposited in the bank as collected.
- Policies and procedures provide for correct use of program income in accordance with Federal program requirements.

Information and Communication

- Information systems identify program income collection and usage.
- A channel of communication for people to report suspected improprieties in the collection or use of program income.

Monitoring

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

J. Program Income	
<ul style="list-style-type: none"> • Internal audit of program income. • Management compares program income to budget and investigates significant differences. 	
What control procedures address the compliance requirement?	WP Ref.
What controls does the County have to monitor program income?	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>These procedures may require some tailoring if specific program income requirements were identified above.</p> <ol style="list-style-type: none"> 1) <i>Identify Program Income</i> <ol style="list-style-type: none"> a) Review the laws, regulations, and the provisions of contract or grant agreements applicable to the program and ascertain if program income was anticipated. If so, ascertain the requirements for determining or assessing the amount of program income (E.g., a scale for determining user fees, prohibition of assessing fees against certain groups of individuals, etc.), and the requirements for recording and using program income. b) Inquire of management and review accounting records to ascertain if program income was received. 2) <i>Determining or Assessing Program Income</i> – Perform tests to verify that program income was properly determined or calculated in accordance with stated criteria, and that program income was only collected from allowable sources. 3) <i>Recording of Program Income</i> – Perform tests to verify that all program income was properly recorded in the accounting records. Select a representative number of transactions and determine whether program income was calculated, collected, and recorded in accordance with program policies. 4) <i>Use of Program Income</i> - Perform tests to ascertain if program income was used in accordance with the program requirements in 45 CFR 92, and 45 CFR 74. 	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p> <p>B. Assessment of Control Risk:</p> <p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p> <p>D. Results of Compliance (Substantive Tests) Tests:</p> <p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

K. Real Property Acquisition and Relocation Assistance
Section K is not applicable to this program.
The activities allowed as documented in Section A do not permit the purchase of real property.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

L. Reporting
Audit Objectives
<p>1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).</p> <p>2) Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.</p>
Compliance Requirements – General
There are currently no OMB reporting requirements for Counties.
Program Specific Requirements
<p>Counties are required to file Form JFS 02750. As noted below, County CSEAs are required to file this form no later than 20 days following the quarter. See the following OAC code for the form requirements. County CSEAs also complete Form 4289. Auditors are not required to test Form 4289.</p> <p>Per ODJFS:</p> <p>OAC 5101:9-6-83 Child Support Enforcement Agency (CSEA) Administrative Fund. Effective Date: March 19, 2007</p> <p>(A) Each child support enforcement agency (CSEA) shall create an administrative fund for the operation of a child support enforcement program.</p> <p>(B) The administrative fund shall be used for the deposit and disbursement of child support funds as follows:</p> <p>(1) For deposit of the following:</p> <p>(a) Federal, state, and local revenues including state and county general revenue funds and federal financial participation (FFP) funds;</p> <p>(b) Federal incentives;</p> <p>(c) Processing charges;</p> <p>(d) Title IV-D application and other miscellaneous fees;</p> <p>(e) Investment income;</p> <p>(f) Unclaimed collections that have lost unclaimed status; and</p> <p>(g) Fines that the CSEA has retained.</p> <p>(2) For disbursement of the following:</p> <p>(a) Allocated shared costs for combined agencies to public assistance (PA) fund;</p> <p>(b) Countywide central service costs assigned to the CSEA;</p> <p>(c) Title IV-D and non-Title IV-D operating expenditures; and</p> <p>(d) Administrative expenses related to the operation of the child support program.</p> <p>(C) The CSEA shall report receipts and disbursements for the child support administrative fund as follows:</p> <p>(1) On a monthly basis, the CSEA shall report receipts and disbursements to the Ohio department of job and family services (ODJFS) via the JFS 02750 "Child Support Administrative Fund Monthly Statement" (rev. 10/2005) and submit its monthly file upload information through the statewide automated reporting system. The JFS 02750 and statewide automated reporting system file shall be submitted to the bureau of county finance and technical assistance (BCFTA) via e-mail attachment, mailing a disk or compact disk (CD), or facsimile no later than the twentieth calendar day of the month following the reported month or the first business day following the twentieth if the twentieth is not a business day.</p> <p>(2) For administrative fund receipts and disbursements, the reporting shall be made by submitting a statewide automated reporting system file containing the monthly receipts and disbursements and a hardcopy version of sections A through C of the JFS 02750, which is a recapitulation of the receipts and disbursements in the statewide automated reporting system. When reporting receipts and disbursements, the CSEA shall identify receipts and</p>

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

L. Reporting

disbursements by their corresponding JFS 02750 program-classification code.

(a) Where the JFS 02750 is cited in divisions 5101:1 and 5101:9 of the Administrative Code, the reference shall be deemed to refer to the monthly receipts and disbursements in the file upload through the statewide automated reporting system and sections A through C of the JFS 02750.

(b) Section B of the JFS 02750 must include the certification of the county auditor that the report transactions and cash balance in section A of the JFS 02750 agree with the records of the county auditor's office. Section C of the JFS 02750 must include the certification of the CSEA director that the reported amount of disbursements in section A of the JFS 02750 is accurate.

To ensure the timely submittal of the JFS 02750, the CSEA is provided with the following options relative to the certifications of the county auditor and CSEA director:

(i) A signature stamp may be used in place of the required signature or another person may be designated to sign for the required person provided that person also signs the JFS 02750.

(ii) The CSEA may delay obtaining the certification of the county auditor if the delayed certification permits the CSEA to submit the JFS 02750 sooner.

Where the CSEA elects to delay obtaining the certification of the county auditor, the CSEA must:

(a) Obtain the certification of the county auditor subsequent to the submission of the JFS 02750 and statewide automated reporting system file upload to the BCFTA. The subsequent certification by the county auditor shall be retained by the CSEA until an ODJFS audit that includes the delayed certification has been conducted; and

(b) Within fifteen calendar days of the receipt of the certification of the JFS 02750 by the county auditor, the CSEA shall notify the BCFTA, in writing, of any discrepancies between the version submitted to the BCFTA and the version certified by the county auditor. The written notification must detail all revised, added, or deleted receipts or disbursements by amount and program-classification codes.

(Source: Fiscal Administrative Procedure Manual)

5101:9-7-02.2 Child support enforcement agency (CSEA) annual and grant closeout. Effective: 09/03/2009

Note: Sections A & B include closeout procedures for state grants.

(C) Closeout for federal grants.

Federally funded subgrants will be reconciled quarterly throughout the grant availability period and closed at the end of the grant availability period during the normal quarterly closeout process. ODJFS will enter grant availability dates in CFIS and notify the CSEA of the closeout dates of the individual grants.

(1) At the end of the grant availability period, upon receipt of all final quarterly reports, ODJFS will perform a grant reconciliation and at the discretion of the ODJFS director, may redistribute appropriated funds on a grant by grant basis.

(a) For each grant and based on CSEA under-spending, ODJFS will determine on a statewide basis the amount of available funds that may be redistributed. ODJFS will then provide preliminary redistribution amounts to any CSEA that has expenditures in excess of the grant in which available funds have been identified. ODJFS will develop a formula that details the calculation for the available grant redistribution. (b) The results of any statewide distribution will be reflected on the grant reconciliation report. The grant reconciliation report will include: (i) A list of grants ending; (ii) The expenditures charged to those grants; (iii) Whether the grants were overpaid or underpaid; (iv) A total of all grants for which the CSEA was overpaid; and (v) The total of all grants for which the CSEA was underpaid.

(2) ODJFS will send the grant reconciliation report and closeout agreement to the CSEA after the end of the grant period. (a) The CSEA shall review the grant reconciliation report and return the signed closeout agreements to ODJFS within fifteen business days of the date of receipt. (b) If the CSEA fails to submit the closeout agreement by the required time period or submits an incomplete or inadequate report, the grant reconciliation report will be processed as final.

L. Reporting

(3) If the CSEA disagrees with the grant reconciliation report, the CSEA shall return the certification form stating its disagreement, along with supporting documentation to the ODJFS office of fiscal and monitoring services, BCFTA. The ODJFS fiscal supervisor assigned to the CSEA will review the documentation, verify the fiscal amount, and submit a report of findings to ODJFS within thirty calendar days of receipt of the information.

(4) If the records of ODJFS are found to be in error, the ODJFS will correct the error and generate a revised annual reconciliation report and closeout agreement within fifteen business days of receipt of the ODJFS fiscal supervisor's findings. The CSEA shall return the revised closeout agreement within ten business days, and any applicable payment within thirty business days, of receipt of the revised agreement. The identification of an error in ODJFS records may result in subsequent adjustments to statewide redistribution and ceiling excess coverage.

(5) If the CSEA's records are found to be in error, the CSEA shall only request correction of the error if it results in monies returned to the state. The CSEA shall return the original reconciliation report, closeout agreement form, and applicable payment within fifteen business days of receipt of the ODJFS fiscal supervisor's findings.

(D) Any excess expenditures identified after statewide reconciliation occurs shall become the responsibility of all CSEA with excess expenditures. ODJFS will notify each CSEA of its pro-rata share of excess expenditures in each specific grant. Coding adjustments will not be available for closed grants. At the end of the grant availability period, upon receipt of all final quarterly reports, ODJFS will perform a grant reconciliation and, at the discretion of the ODJFS director, may redistribute appropriated funds on a grant by grant basis.

The final exchange of funds for the grant closeout will occur as follows:

(1) The CSEA shall submit one check for the total of all grants for which the CSEA has been overpaid unless the CSEA disagrees with the grant agreement as described in paragraph (C) of this rule. Separate checks for each grant are not necessary. Failure by the CSEA to remit payment as requested may result in referral to the office of the attorney general for collection proceedings.

(2) ODJFS will schedule the redistribution of funds to the CSEA for all grants for which the CSEA was underpaid. The redistribution process may be dependent upon the timely receipt of funds by CSEAs with overpayments.

(E) Prior period coding adjustments.

45 C.F.R. 95.7 requires that expenditures be reported within two years after the expense was incurred. Consistent with those regulations, requests for ODJFS coding adjustments must be submitted to ODJFS one quarter prior to the end of the two-year period to allow ODJFS to compile federal reports and submit for federal reimbursement.

(1) CSEAs shall submit requests for coding adjustments to ODJFS through the quarterly information consolidated plus (QuIC+) for upload into CFIS no later than seven quarters after the expense was incurred.

(a) The CSEA shall determine how the expenditure was originally reported and submit a coding adjustment to the same grant or state allocation, if still within the period of availability.

(b) If the grant or state allocation that the expenditure was charged is no longer available, the CSEA shall make the coding adjustment against the current year's grant or allocation.

(2) Additional federal funding resulting from prior period adjustments shall be available by draw requests or as part of the annual closeout process.

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

ODJFS 02750 form and instructions can be found at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm>.

L. Reporting	
<p>Counties should be reviewing the grant reconciliation report and responding with ODJFS as required.</p> <p>Note: ODJFS changed the grant years for many programs from the state fiscal year end (6-30) to the Federal fiscal year end (9-30). Auditors should review grant information to determine closeout period.</p>	
In determining how the client ensures compliance, consider the following:	
<p>Control Objectives To provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.</p> <p>Control Environment</p> <ul style="list-style-type: none"> • Persons preparing, reviewing, and approving the reports possess the required knowledge, skills, and abilities. • Management’s attitude toward reporting promotes accurate and fair presentation. • Appropriate assignment of responsibility and delegation of authority for reporting decisions. <p>Risk Assessment</p> <ul style="list-style-type: none"> • Mechanisms exist to identify of faulty reporting caused by such items as lack of current knowledge of inconsistent application of, or carelessness or disregard for standards and reporting requirements of Federal awards. • Identification of underlying source data or analysis for performance or special reporting that may not be reliable. <p>Control Activities</p> <ul style="list-style-type: none"> • Written policy exists that establishes responsibility and provides the procedures for periodic monitoring, verification, and reporting of program progress and accomplishments. • Tracking system which reminds staff when reports are due. • The general ledger or other reliable records are the basis for the reports. • Supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports. • The required accounting method is used (e.g., cash or accrual). <p>Information and Communication</p> <ul style="list-style-type: none"> • An accounting or information system that provides for the reliable processing of financial and performance information for Federal awards. <p>Monitoring</p> <ul style="list-style-type: none"> • Communications from external parties corroborate information included in the reports for Federal awards. • Periodic comparison of reports to supporting records. 	
What control procedures address the compliance requirement?	WP Ref.
<p>What controls does the County CSEA have in place to monitor the accuracy of the information to be submitted?</p> <p>What controls does the County CSEA have in place to ensure timely submission of the 2750 form and the grant reconciliation report?</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>1) Based on the results of the test of controls, select the monthly ODHS 2750 reports and review each report to determine if:</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

L. Reporting	
<ul style="list-style-type: none"> — It was submitted to ODJFS in a timely manner (Report is due by the 20th of the month following the expenditure month). Note: Inquire if reports are being electronically submitted. If submitted electronically, the electronic submission date is an acceptable date. — It is mathematically accurate; recalculate amounts as necessary. — All amounts reported are traceable to appropriate supporting documentation and appear to be coded properly. — ODJFS 2750 report agreed to the quarterly CFIS reports received from ODJFS -- All amounts reported agree to the County Auditors records. — Form 2750 was signed by County Auditor and County JFS Director <p>2) Determine if the County JFS reviewed the grant reconciliation report and responded to ODJFS.</p> <p>3) Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency or pass-through entity in the case of a subrecipient.</p>	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
<p>A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)</p> <p>B. Assessment of Control Risk:</p> <p>C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:</p> <p>D. Results of Compliance (Substantive Tests) Tests:</p> <p>E. Questioned Costs: Actual _____ Projected _____</p>	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

M. Subrecipient Monitoring

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the pass-through entity properly identified Federal award information and compliance requirements to the subrecipient, and approved only allowable activities in the award documents.
- 3) Determine whether the pass-through entity monitored subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements.
- 4) Determine whether the pass-through entity ensured required audits are performed, issued a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensures that the subrecipient takes timely and appropriate corrective action on all audit findings.
- 5) Determine whether in cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- 6) Determine whether the pass-through entity evaluates the impact of subrecipient activities on the pass-through entity.

Compliance Requirements - General

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In case of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- *Program complexity* – Programs with complex compliance requirements have a higher risk of noncompliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- *Amount of awards* – Larger dollar awards are of greater risk.
- *Subrecipient risk* – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of noncompliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

Monitoring activities normally occur throughout the year and may take various forms, such as:

M. Subrecipient Monitoring

- *Reporting* – Reviewing financial and performance reports submitted by the subrecipient.
- *Site Visits* – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- *Regular Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Agreed-upon procedures engagements

A pass-through entity may arrange for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass-through entity determines the procedures to be used and compliance areas of greatest risk. The costs of agreed-upon procedures engagements is an allowable cost to the pass-through entity if the agreed-upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$500,000 for fiscal years ending after December 31, 2003) for the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting (OMB Circular A-133 (§___,230(b)(2))).

Source of Governing Requirements

The requirements for subrecipient monitoring are included in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. 104-156)), OMB Circular A-133 (§___,225 and §___,400(d)), 45 CFR 92, and 45 CFR 74), Federal awarding agency program regulations, and the terms and conditions of the award.

Program Specific Requirements

Per ODJFS, County CSEAs can contract out testing, location, court services, etc. They can also contract out eligibility or the entire program (although no counties are currently doing this). Most contracts should be vendor relationships. Auditors should review contracts entered into by the County JFS for services to determine if a vendor or subrecipient relationship exists.

ODJFS has provided the following mandated process for subrecipient monitoring.

ODJFS subrecipient monitoring tools 1) Subrecipient / Vendor Checklist; 2) Subrecipient / Vendor Example (Criteria Summary); 3) (Subrecipient) Monitoring Checklist; 4) Risk Assessment Tool are all available at <http://ifs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm> .

OAC 5101:9-1-88 Subrecipient annual risk assessment review and subrecipient monitoring process. (eff. 4-1-06)

(A) The Ohio department of job and family services (ODJFS), as a recipient of federal funding, is requiring local agencies, as subrecipients, to monitor their subrecipients. The standard monitoring protocol for local agencies in the oversight of subrecipients of federal funding follows the requirements set forth in the office of management and budget (OMB) circular A-133, compliance supplement, part 3, and other applicable federal principles. Subrecipient monitoring is not an audit. Subrecipient monitoring does not test for all areas of compliance, but serves as a means of evaluating those compliance elements that can be monitored to reasonably ensure the credibility of the federal program. This rule does not negate federal, state, or local requirements of the Workforce Investment Act or other specific federal programs.

(B) [AOS Note](#): Certain terminology is contained in this rule in section B of this code. See OAC code section.

(C) Local agencies may enter into a contractual relationship with any entity that falls within the criteria of a vendor or a subrecipient. Contracts with vendors require contract monitoring. Subaward agreements require subrecipient monitoring. The substance of the relationship is more important than the form of the agreement when making the determination of whether a subrecipient or vendor relationship exists. Local agencies shall apply the following guidelines to determine whether a contract represents a subrecipient relationship or a vendor relationship. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or a vendor. The distinguishing characteristics are as follows:

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(1) Subrecipient characteristics: (a) Determines who is eligible to receive federal financial assistance; (b) Measures performance against the objectives of the federal program requirements; (c) Has responsibility for programmatic decision making and is adhering to the requirements of the federal program; (d) Uses the federal funds to implement a program rather than provide goods or services for the program of a pass-through entity; (e) Administers the grant from award to closeout; (f) Develops policies and systems to ensure effective management of federal funds and compliance with federal, state, and local laws and regulations; and (g) Ensures an established budget of costs exists to operate the program and a method of monitoring actual costs against the budget.

(2) Vendor characteristics: (a) Provides services or goods within normal business operations; (b) Provides similar or same goods or services to many different purchasers; (c) Operates in a competitive environment; (d) Provides goods or services ancillary to the operation of a federally funded program; (e) Is not subject to compliance requirements of the federal programs; and (f) Is not responsible for program compliance but transactions must be structured to allow the pass-through entity to assure compliance.

(D) Each subaward agreement shall outline the scope of work, budget, performance requirements, the program authorizing legislation, and the program regulations. Subawards must meet key provisions that include, at a minimum, administrative requirements. Those administrative requirements include financial management, procurement, financial reports, program reports, records retention, cost allocation, payment, matching, period of availability, program income, real property, equipment, supplies, monitoring, audits, and other additional requirements to meet federal compliance. In accordance with those requirements, all subawards agreements will contain the following: (1) Applicable CFDA title and number, award name, and name of federal agency; (2) Notice of any applicable compliance requirements with audit requirements of OMB circular A-133, including arranging the audit and submission of the final audit report to the local agency; and (3) Notice the local agency will perform an annual risk assessment to determine the level of monitoring of the subrecipient.

(E) Subrecipient monitoring protocol is established by ODJFS to provide reasonable assurance that federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient non-compliance on the pass-through entity is evaluated. Local agencies shall provide reasonable assurance that the subrecipient obtained any required audits and takes appropriate corrective action on audit findings.

(F) On an annual basis, local agencies shall determine the most appropriate degree and method of the monitoring of compliance requirements for each subrecipient, by performing a risk assessment review, to ensure resources and personnel are used efficiently. The extent and frequency of subrecipient monitoring will depend on several factors that include the amount of the award, the type of subrecipient organization, the subrecipient's prior experience with federal funds, the subrecipient's prior monitoring results, the complexity of the program requirements, the subrecipient's organizational stability, and its reporting history. Risk assessment review mechanisms shall be in place to identify the following: (1) Where unallowable activities or costs could be charged to a federal program and be undetected or misappropriated, or improper disposition of property acquired with federal funds; (2) Changes to eligibility determination systems; (3) The accuracy of underlying report source data and the validity of the reports; (4) The level of management commitment and understanding of federal requirements and regulatory changes; and (5) Various internal changes that may affect performance, such as: (a) Financial problems; (b) Loss of essential personnel; and (c) Rapid growth.

(G) The local agency shall conduct the subrecipient risk assessment review annually and the review shall occur within a reasonable time interval from the beginning of the provision of the service or the establishment of the subrecipient relationship in order to identify any existing risk factors during the early phase of the grant agreement and determine the level of monitoring that shall occur.

(H) Subrecipient monitoring may include, but not be limited to, the following:

(1) An on-site or desk review of the subrecipient's records to verify the services being provided are within the scope of the funding being received and the subrecipient has an effective means of determining recipients are eligible for the services being provided. Allowability of services and eligibility will be monitored by examining one or more of the following items: (a) Program records to review brochures and/or materials disseminated to the public; (b) Program forms to ensure they capture accurate program services and eligibility requirements; and (c) Case files, completed

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applications, service delivery documentation, and other program records and forms to determine the subrecipient is appropriately assessing eligibility criteria and the service delivery documentation is valid.

(2) An on-site or desk review of the subrecipient's records in order to provide reasonable assurance the cost of goods, services, and property are allowable, in accordance with applicable federal regulations and expenditures appear to be within the budget submitted for approval by examining one or more of the following items: (a) Purchasing records or invoices to ensure expenditures are allowable, necessary, and reasonable; (b) Monthly expenditure reports to compare with the annual budget amounts to determine an appropriate level of spending and expenditures being charged against the fund are supported by an approved budget; (c) Invoices and budgets, in order to provide reasonable assurance that costs and charges are within the scope of allowable federal costs. The reviewer may interview management personnel and review procedure manuals, inventory, and audit reports to ensure the subrecipient has effective control over and accountability for all funds, property, and other assets; (d) Financial records to assure accounting records identify the source of funds and provide for accurate division of charges and costs between federal and non-federal activities; (e) Subrecipient's procedure manual or other operating policies to determine the subrecipient has an effective means of communication, internal control, and guidance for its employees to reasonably guard against the misuse of funds; (f) Quarterly/annual inventory reports to determine the subrecipient has a method for safeguarding assets to assure they are used solely for authorized purposes; and (g) The reviewer will examine audit reports to determine compliance with any existing corrective action plan.

(3) An on-site or desk review of the subrecipient's records in order to provide reasonable assurance the recipient has acquired goods and services in accordance with applicable state and federal regulations by examining one or more of the following items: (a) Subrecipient's procurement policy or manual to determine whether the policy represents an acceptable level of internal control and is in accordance with federal procurement requirements; (b) A sampling of various transactions to ensure the policy is being followed; and (c) Codes of conduct and other policies regarding standards of ethical behavior for making procurements to assure practice of acceptable procurement principles.

(4) An on-site or desk review in order to provide reasonable assurance reports are supported by underlying accounting or performance records and are submitted in accordance with the provisions of the subaward agreement by examining the following items: (a) Pass-through entities' records to assure timely receipt of required reports; and (b) Supporting documentation, for a sampling of reports to assure the accuracy and completeness of data and information included in the reports.

(I) In accordance with the local agency's annual risk assessment review, as described in paragraph (F) of this rule, and audit requirements, as described in paragraph (B)(5) of this rule, subrecipient monitoring may also include evaluation of the following elements, as applicable.

(1) Cash management, in which the reviewer will provide reasonable assurance federal funds are drawn down only for immediate needs. The reviewer will examine a sampling of expenditures and requests for federal funds to determine an appropriate amount of time elapsed between transfers of funds to the subrecipient.

(2) Program income, in which the reviewer will provide reasonable assurance income is correctly earned, recorded, and used in accordance with the program requirements. The reviewer will examine a sampling of the subrecipient's records to determine income is properly recorded as earned and deposited as collected.

(3) Audit requirements, in which the reviewer will provide reasonable assurance the subrecipient has obtained required audits and has submitted and is in compliance with any corrective action plan resulting from said audits. The reviewer will examine the audit report and any existing corrective action plan and obtain documentation of compliance with the existing corrective action plan.

(J) Once the subrecipient monitoring is concluded, findings will be completed by the reviewer and signed by the director of the agency or its designee. A copy will be mailed to the subrecipient, identifying any deficiencies.

(K) Should the reviewer discover deficiencies or noncompliance issues that may result in the ineligible use of federal funds, immediate action to correct those issues will occur. The pass-through agency may be responsible for recovering

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the funds for payment of expenditures not in compliance with grant regulations.

(L) The subrecipient will have sixty days from the issuance of the monitoring findings to develop an improvement plan to resolve any deficiencies or noncompliance issues that do not result in ineligible spending of federal funds. Failure of the subrecipient to submit and implement an improvement plan will constitute grounds for contract or subaward agreement termination.

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated. Also, the pass-through entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

Control Environment

- Establishment of “tone at the top” of management’s commitment to monitoring subrecipients.
- Management’s intolerance of overriding established procedures to monitor subrecipients.
- Entity’s organizational structure and its ability to provide the necessary information flow to monitor subrecipients are adequate.
- Sufficient resources dedicated to subrecipient monitoring.
- Knowledge, skills, and abilities needed to accomplish subrecipient monitoring tasks defined.
- Individuals performing subrecipient monitoring possess knowledge, skills, and abilities required.
- Subrecipients demonstrate that:
 - They are willing and able to comply with the requirements of the award, and
 - They have accounting systems, including the use of applicable cost principles, and internal control systems adequate to administer the award.
- Appropriate sanction taken for subrecipient noncompliance.

Risk Assessment

- Key managers understand the subrecipient’s environment, systems, and controls sufficient to identify the level and methods of monitoring required.
- Mechanisms exist to identify risks arising from external sources affecting subrecipients, such as risks related to:
 - Economic conditions.
 - Political conditions.
 - Regulatory changes.
 - Unreliable information.
- Mechanisms exist to identify and react to changes in subrecipients, such as:
 - Financial problems that could lead to diversion of grant funds.
 - Loss of essential personnel.
 - Loss of license or accreditation to operate program.
 - Rapid growth.
 - New activities, products, or services.
 - Organizational restructuring.

Control Activities

- Identify to subrecipients the Federal award information (e.g., CFDA title and number, award name, name of Federal agency, amount of award) and applicable compliance requirements.
- Include in agreements with subrecipients the requirement to comply with the compliance requirements applicable to the Federal program, including the audit requirements of OMB Circular A-133.
- Subrecipients’ compliance with audit requirements monitored using techniques such as the following:
 - Determine by inquiry and discussions whether subrecipient met thresholds requiring an audit under OMB Circular A-133.
 - If an audit is required, assuring that the subrecipient submits the report, report package or the documents required by OMB circulars and/or recipient’s requirements.
 - If a subrecipient was required to obtain an audit in accordance with OMB Circular A-133 but did not do so,

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following up with the subrecipient until the audit is completed. Taking appropriate actions such as withholding further funding until the subrecipient meets the audit requirements.

- Subrecipient’s compliance with Federal program requirements monitored using such techniques as the following:
 - Issuing timely management decisions for audit and monitoring findings to inform the subrecipient whether the corrective action planned is acceptable.
 - Maintain a system to track and following-up on reported deficiencies related to programs funded by the recipient and ensure that timely corrective action is taken.
 - Regular contact with subrecipients and appropriate inquiries concerning the Federal program.
 - Reviewing subrecipient reports and following-up on areas of concern.
 - Monitoring subrecipient budgets.
 - Performing site visits to subrecipient to review financial and programmatic records and observe operations.
 - Offering subrecipients technical assistance where needed.
- Official written policies and procedures exist establishing:
 - Communication of Federal award requirements to subrecipients.
 - Responsibilities for monitoring subrecipients.
 - Process and procedures for monitoring.
 - Methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control.
 - Requirements for and processing of subrecipient audits, including appropriate adjustment of pass-through entity’s accounts.

Information and Communication

- Standard award documents used by the non-Federal entity contain:
 - A listing of Federal requirements that the subrecipient must follow. Items can be specifically listed in the award document, attached as an exhibit to the document, or incorporated by reference to specific criteria.
 - The description and program number for each program as stated in the CFDA. If the program funds include pass-through funds from another recipient, the pass-through program information should also be identified.
 - A statement signed by an official of the subrecipient, stating that the subrecipient was informed of, understands, and agrees to comply with the applicable compliance requirements.
- A recordkeeping system is in place to assure that documentation is retained for the time period required by the recipient.
- Procedures are in place to provide channels for subrecipients to communicate concerns to the pass-through entity.

Monitoring

- Establish a tracking system to assure timely submission of required reporting, such as: financial reports, performance reports, audit reports, onsite monitoring reviews of subrecipients, and timely resolution of audit findings.
- Supervisory review performed to determine the adequacy of subrecipient monitoring.

What control procedures address the compliance requirement?	WP Ref.
<p>Does the County have procedures in place to perform an annual risk assessment review, considering the following:</p> <ul style="list-style-type: none"> • Extent and frequency of the review; • Type of subrecipient organization; • Subrecipient’s prior experience; • Subrecipient’s prior monitoring results; • Complexity of the program requirements; • Subrecipient’s organizational stability; and • Subrecipient’s reporting history <p>Are there risk assessment review mechanisms to identify the following:</p> <ul style="list-style-type: none"> • When unallowable activities or costs could be charged to a federal program and be undetected or misappropriated, or improper disposition of property acquired with federal funds; • Changes to eligibility determination systems; • Accuracy of underlying report source data and the validity of the reports; • Level of management commitment and understanding of federal requirements and regulatory 	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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<p>changes; and</p> <ul style="list-style-type: none"> • Various internal changes that may affect performance such as financial problems, loss of personnel and rapid growth. <p>The ODJFS Guided Self-Assessment (GSA) requests County JFS offices to provide controls over subrecipient monitoring. Auditors should review the information provided by the County JFS for this assessment to help gain an understanding of the procedures in place.</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	
<p>(Note: The auditor may consider coordinating the tests related to subrecipients performed as part of Cash management (tests of cash reports submitted by subrecipients), Eligibility (tests that subawards were made only to eligible subrecipients), and Procurement (tests ensuring that a subrecipients is not suspended or debarred) with the testing of Subrecipient Monitoring.)</p> <ol style="list-style-type: none"> 1) Gain an understanding of the pass-through entity’s subrecipient procedures through a review of the pass-through entity’s subrecipient monitoring policies and procedures (e.g., annual monitoring plan) and discussions with staff. This should include an understanding of the scope, frequency, and timeliness of monitoring activities and the number, size, and complexity of awards to subrecipients. 2) Test award documents and agreements to ascertain if: (a) at the time of award the pass-through entity made subrecipients aware of the award information (e.g., CFDA title and number, amount of award, award name, name of Federal agency) and requirements imposed by laws, regulations and the provisions of contract or grant agreements; and (b) the activities approved in the award documents were allowable. 3) Review the pass-through entity’s documentation of during-the-award monitoring to ascertain if the pass-through entity’s monitoring provided reasonable assurance that subrecipients used Federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals. 4) Review the pass-through entity’s follow-up to ensure corrective action on deficiencies noted in during-the-award monitoring. 5) Verify that the pass-through entity: <ol style="list-style-type: none"> a) Ensured that the required subrecipient audits were completed. For subrecipients that are not required to submit a copy of the reporting package to a pass-through entity because there were “no audit findings” (i.e., because the schedule of findings and questioned costs did not disclose audit findings relating to the Federal awards that the pass-through entity provided and the summary schedule of prior audit findings did not report the status of audit findings relating to Federal awards that the pass-through entity provided, as prescribed in OMB Circular A-133 §____.320(e)), the pass-through entity may use the information in the Federal Audit Clearinghouse (FAC) database (available on the Internet at http://harvester.census.gov/sac) as evidence to verify that the subrecipient had “no audit findings” and that the required audit was performed. This FAC verification would be in lieu of reviewing submissions by the subrecipient to the pass-through entity when there are no audit findings. b) Issued management decisions on audit findings within 6 months after receipt of the subrecipient’s audit report. c) Ensured that subrecipients took appropriate and timely corrective action on all audit findings. 6) Verify that in cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity took appropriate action using sanctions. 7) Verify that the effects of subrecipient noncompliance are properly reflected in the pass-through entity’s records. 	WP Ref.

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

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8) Verify that the pass-through entity monitored the activities of subrecipients not subject to OMB Circular A-133, using techniques such as those discussed in the "Compliance Requirements" provisions of this section with the exception that these subrecipients are not required to have audits under OMB Circular A-133.	
Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)	
A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)	
B. Assessment of Control Risk:	
C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:	
D. Results of Compliance (Substantive Tests) Tests:	
E. Questioned Costs: Actual _____ Projected _____	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (1 of 4) – Establishment of Paternity and Support Obligations

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the IV-D agency attempted to establish, or established, paternity and a support obligation. For State IV-D agencies, determine whether these actions were within the required time frames.

Compliance Requirements

The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5, 45 CFR sections 309.100 and 309.105). For State IV-D agencies, these services must be provided within the time frames specified in 45 CFR sections 303.3(b)(3) and (b)(5), 303.3(c) and, 303.4(d).

(Source: 2009 OMB Compliance Supplement)

Program Specific Requirements

Per ODJFS:

OAC 5101:12-40-05 Determination of the Existence or Non-Existence of a Father and Child Relationship.
Effective Date: December 15, 2006.

- (A) The following terms and definitions apply throughout division 5101:12 of the Administrative Code:
- (1) "Alleged father" means a man who is believed to be or believes himself to be the natural father of a child but a final and enforceable determination of paternity regarding that man and child does not exist.
 - (2) "Birth record" has the same meaning as in section 3705.01 of the Revised Code.
 - (3) "Central paternity registry" (CPR) is the birth registry maintained by the office of child support (OCS) in the Ohio department of job and family services (ODJFS) in accordance with section 3111.64 of the Revised Code.
 - (4) "Determine the existence or non-existence of a father and child relationship" refers to the administrative or judicial process that will determine whether or not a man is the father of a child when there is not a final and enforceable determination of paternity.
 - (5) "Disestablish paternity" means to attempt to overturn or reverse a final and enforceable determination of paternity.
 - (6) A "final and enforceable determination of paternity" exists when:
 - (a) In accordance with section 3111.25 of the Revised Code, the mother and father signed a JFS 07038, "Acknowledgment of Paternity" (rev. 12/2006), and neither the mother nor the father brought an action under section 3111.27 of the Revised Code within sixty days of the signing to request the JFS 07038 be rescinded, and the JFS 07038 has been determined to be completed correctly;
 - (b) In accordance with section 3111.49 of the Revised Code, a child support enforcement agency (CSEA) issued a JFS 07774, "CSEA Administrative Order - Establishment of Paternity" (rev. 11/2001), or JFS 07771, "CSEA Administrative Order - Non-existence of Child-Parent Relationship" (rev. 1/2006), and neither the mother, alleged father, nor guardian or custodian of the child brought an action under sections 3111.01 to 3111.18 of the Revised Code within thirty days of the issuance of the administrative order to object to the administrative order;
 - (c) A court issued an order determining that the man is the father of the child or that the child was born as a product of the marriage and neither party to the order objected to the order;
 - (d) In accordance with section 3111.821, an administrative child support order was issued or, in accordance with section 2151.232 of the Revised Code, a court support order was issued and neither party to the order raised the issue of the existence or nonexistence of a parent and child relationship although paternity was presumed pursuant to division (A)(3) of section 3111.03 of the Revised Code and as described in rule 5101:12-40-10 of the Administrative Code;

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(e) In accordance with section 3111.95 of the Revised Code, the husband of a married woman consented to artificial insemination; or

(f) Another state or country has established a final and enforceable determination of paternity under the laws of that state or country, regardless of whether the determination of paternity was made pursuant to a voluntary acknowledgement of paternity, an administrative proceeding, or a court proceeding. The CSEA shall give full faith and credit to a final and enforceable determination of paternity made by another state or country.

(7) "Genetic testing" and "genetic tests" mean: Tissue or blood tests, including tests that identify the presence or absence of common blood group antigens, the red blood cell antigens, human lymphocyte antigens, serum enzymes, serum proteins, or genetic markers; or deoxyribonucleic acid typing of blood or buccal cell samples. "Genetic test" and "genetic testing" may include the typing and comparison of deoxyribonucleic acid derived from the blood of one individual and buccal cells of another.

(B) In accordance with Chapter 3111. of the Revised Code, the CSEA shall determine the existence or nonexistence of a father and child relationship when:

(1) The child was born out-of-wedlock and:

(a) The child receives Ohio works first (OWF), Title IV-E foster care maintenance, or medicaid benefits in the same county as the CSEA; or

(b) The CSEA receives a request to determine the existence or non-existence of a father and child relationship, as described in rule 5101:12-40-20 of the Administrative Code, by:

(i) The child's mother or her personal representative;

(ii) A man alleged or alleging himself to be the father of the child or his personal representative;

(iii) The child or the child's personal representative, guardian, or custodian; or

(iv) The court pursuant to division (D) of section 3111.381 of the Revised Code.

(2) There is a presumption of paternity and:

(a) The CSEA receives a request to determine the existence or non-existence of a father and child relationship, as described in rule 5101:12-40-20 of the Administrative Code, by:

(i) The child's mother or her personal representative;

(ii) A man alleged or alleging himself to be the father of the child or his personal representative;

(iii) The child or the child's personal representative, guardian, or custodian; or

(b) Either the mother or the presumed father disputes paternity during an administrative or court child support hearing.

(C) In accordance with section 3111.38 of the Revised Code, the CSEA in the county in which the child or the guardian or legal custodian of the child resides shall determine the existence or non-existence of a father and child relationship.

In accordance with section 3111.39 of the Revised Code, when more than one CSEA receives a request to determine the existence or non-existence of a father and child relationship concerning the same child that meets the requirements described in this paragraph, the CSEA that receives the request first shall act on the request. When a CSEA that receives a request is not the appropriate

CSEA for the filing of the request, the CSEA shall forward the request to the CSEA in which the child or the guardian or legal custodian of the child resides.-

(D) Pursuant to section 3111.381 of the Revised Code, the CSEA shall attempt to determine the existence or non-existence of a father and child relationship through an administrative action and, when the administrative action is unsuccessful, by bringing a court action.

Pursuant to division (E) of section 3111.381 of the Revised Code, if the alleged father of a child is deceased and proceedings for the probate of the estate of the alleged father have been or can be commenced, the court with jurisdiction over the probate proceedings shall retain jurisdiction to determine the existence or nonexistence of a parent and child relationship between the alleged father and any child without an administrative determination being requested

N. Special Tests and Provisions (1 of 4) – Establishment of Paternity and Support Obligations

from a child support enforcement agency.-

(E) Pursuant to section 3111.05 of the Revised Code, an action to determine the existence or non-existence of a father and child relationship may be brought up to and including the child's twenty-third birthday.

(F) Disestablishing paternity.

When there is a final and enforceable determination of paternity, the CSEA:-

- (1) Shall not assist either party in an action to disestablish paternity;
- (2) Shall intervene in an action to disestablish paternity in order to defend support collections assigned to the Ohio department of job and family services; and
- (3) May intervene in an action to disestablish paternity in order to defend a paternity determination or a support order.

OAC 5101:12-45-05 Support Order Establishment. Effective Date: April 1, 2009

(A) This rule and its supplemental rules describe the process for requesting and establishing a support order.

(B) In accordance with section 3103.031 of the Revised Code, each parent of a child assumes the parental duty of support of his or her minor child. The parental duty of support is established when:

- (1) A man is presumed to be the natural father of the child in accordance with rule 5101:12-40-10 of the Administrative Code;
- (2) There is a final and enforceable determination of paternity in accordance with rule 5101:12-40-05 of the Administrative Code;
- (3) A woman is the biological mother of a child in accordance with section 3103.03 of the Revised Code;
- (4) A man or woman adopts a minor child pursuant to Chapter 3107. of the Revised Code; or
- (5) A man is required to be treated in law and regarded as the natural father of a child conceived as the result of artificial insemination pursuant to section 3111.95 of the Revised Code.

(C) In accordance with section 3125.36 of the Revised Code, a child support enforcement agency (CSEA) shall make available a IV-D application to all persons requesting a CSEA's assistance in establishing a support order.

(D) The CSEA with administrative responsibility shall establish a support order for a child who receives Ohio works first or medicaid.

(E) The CSEA shall:

- (1) Schedule an administrative child support hearing when:
 - (a) A man is presumed to be the father of a child and the parent, guardian, or legal custodian of a child, or the person with whom the child resides specifically requests the CSEA to issue an administrative child support order.
 - (b) An acknowledgement of paternity is final and enforceable and the mother or other custodian or guardian of the child specifically requests the CSEA to issue an administrative child support order.
 - (c) The administrative officer issues a JFS 07774, "CSEA Administrative Order - Establishment of Paternity" (rev. 11/2001).
- (2) File a court action to establish a child support order when:
 - (a) An acknowledgement of paternity is final and enforceable and the mother or other custodian or guardian of the child requests a child support order but does not specifically request the CSEA to issue an administrative child support order.
 - (b) The CSEA issued a JFS 07774 but did not issue an administrative support order.
 - (c) A court determines the parent and child relationship in accordance with sections 3111.01 to 3111.18 of the Revised Code.
 - (d) The non-custodial parent adopted the child in accordance with Chapter 3107. of the Revised Code.

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- (e) The parents of the child are still married and a court has not identified a residential parent or custodian.
- (f) The status of the individual as the biological mother in accordance with section 3103.03 of the Revised Code.
- (g) The child was conceived as the result of artificial insemination.

(3) Either schedule an administrative child support hearing or file a court action to establish a child support order when a man is presumed to be the father of a child and a parent, guardian, or legal custodian of a child, or the person with whom the child resides requests the CSEA to establish a child support order but does not specifically request an administrative child support order.

(F) The CSEA must establish a child support order or serve process necessary to begin action to establish a child support order within ninety days of locating the non-custodial parent. The determination of a father and child relationship is included in the ninety-day timeframe. The inability of the CSEA to complete service of process, which would preclude the establishment of a child support order, shall be documented to show that periodic repeated efforts to serve process were taken relative to the criteria defining diligent efforts described in rule 5101:12-30-10 of the Administrative Code.

(G) In child support cases needing support order establishment, regardless of whether the CSEA must determine the existence or non-existence of the father and child relationship, action to establish support orders must be completed from the date of service of process to the time of disposition within the following timeframes:

- (1) Seventy-five per cent of all cases within six months; and
- (2) Ninety per cent of all cases within twelve months.

OAC 5101:12-30-10 Service of Process. Effective Date: July 15, 2007

(A) Service of process is the formal, legal notice to a party involved in an action brought by the child support enforcement agency (CSEA) that explains the purpose of the action and the party's legal rights and obligations. Receipt of notice by a party permits the CSEA, in some circumstances, to proceed with the intended action and to impose obligations on the party even if that party fails to exercise his or her right to appear or object. Therefore, it is critical that the CSEA comply with laws and regulations governing service of process. This rule is intended to provide guidance regarding service of process in administrative actions initiated by the CSEA.

(B) Administrative actions to establish paternity or a support order require service of process in accordance with the Rules of Civil Procedure.

(1) Section 3111.42.1 of the Revised Code requires that the notice to a mother and any alleged father regarding an order for genetic testing shall be sent in accordance with the Rules of Civil Procedure, except to the extent that the provisions of the Rules of Civil Procedure are clearly inapplicable and except that references in the provisions of the Rules of Civil Procedure to the court or to the clerk of the court shall be construed as being references to the child support enforcement agency or the administrative officer. In accordance with rules 4 (7/1/1984) and 4.1 (7/1/1997) of the Rules of Civil Procedure, service of the genetic testing notice and order shall be made by certified or express mail, as evidenced by return receipt signed by any person, or by personal service.

(a) If the post office returns the certified or express mail to the CSEA because it was unclaimed or refused by the person to be served, the CSEA shall issue the genetic testing notice and order by ordinary, first class mail to the same address to which the certified or express mail was sent.

(b) If the certified or express mail is returned indicating the addressee is unknown or that the address is invalid, the CSEA may not use ordinary mail service but must make diligent efforts to obtain a valid address for certified or express mail service.

(c) If a party for whom service of process was not completed or was unsuccessful appears for genetic testing, the CSEA shall require that party to sign a waiver of service of notice and order to appear for genetic testing. A signed waiver indicates the party has given up his or her right to service of process under the Rules of Civil Procedure and is submitting to the authority of the CSEA for purposes of the proposed action. By signing the waiver, the party also acknowledges his or her rights and responsibilities regarding the proposed action. The CSEA may then proceed with genetic testing and, if appropriate, the establishment of a support order.

(2) Section 3111.46 of the Revised Code requires that an order finding paternity or non-paternity based on the

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (1 of 4) – Establishment of Paternity and Support Obligations

results of genetic testing be issued and sent to parties in accordance with the Rules of Civil Procedure. In accordance with rule 5 (7/1/2001) of the Rules of Civil Procedure, service of the order finding paternity or non-paternity shall be made by ordinary, first class mail to the last known address of the person to be served.

(3) Section 3111.80 of the Revised Code requires that the notice of the administrative hearing to determine child support and the provision for health care is to be sent in accordance with the

Rules of Civil Procedure, except to the extent that the provisions of the Rules of Civil Procedure are clearly inapplicable and except that references in the provisions of the Rules of Civil Procedure to the court or to the clerk of the court shall be construed as being references to the child support enforcement agency or the administrative officer.

(a) In accordance with section 3111.80 of the Revised Code, if the notice of the administrative hearing to determine child support is attached to the administrative order establishing paternity, service shall be made by ordinary, first class mail to the last known address of the person to be served as allowed by section 3111.46 of the Revised Code.

(b) In accordance with section 3111.80 of the Revised Code, if the notice of the administrative hearing to determine child support is not attached to an administrative paternity order but is instead issued as a result of a request made under section 3111.29 or 3111.78 of the Revised Code, service shall be made by certified or express mail, as evidenced by return receipt signed by any person, or by personal service.

(i) If the post office returns the certified or express mail to the CSEA because it was unclaimed or refused by the person to be served, the CSEA shall issue the notice and order by ordinary, first class mail to the same address to which the certified or express mail is sent.

(ii) If the certified or express mail is returned indicating the addressee is unknown or that the address is invalid, the CSEA may not use ordinary mail service but must make diligent efforts to obtain a valid address for certified mail service.

(iii) If a party for whom service of process was not completed or was unsuccessful appears for the administrative hearing to determine child support, the CSEA shall require that party to sign a waiver of service of notice and order to appear for administrative support hearing. A signed waiver indicates the party has given up his or her right to service of process under the Rules of Civil Procedure and is submitting to the authority of the CSEA for purposes of the proposed action. By signing the waiver, the party also acknowledges his or her rights and responsibilities regarding the proposed action. The CSEA may then proceed with the establishment of a support order.

(C) The CSEA shall maintain evidence of proof of service or, if applicable, the signed waiver of service of notice to appear for genetic testing or administrative support hearing.

(D) In accordance with rule 4.2 (7/1/1997) of the Rules of Civil Procedure, service may be made upon the following:

(1) An individual other than a person under sixteen years of age or an incompetent person;.

(2) The individual's guardian or any of the following persons with whom the individual resides if he/she is under sixteen years of age: the father, mother, or his/her caretaker; or by serving such person if he/she neither has a guardian nor lives or resides with a parent or a caretaker;.

(3) An incompetent person's guardian or an individual of authority of an institution if the incompetent person is institutionalized. Service shall be made upon an incompetent person if he/she neither has a guardian nor is institutionalized;.

(4) An individual confined to a penal institution of the state or of a subdivision of the state, except when the individual is under sixteen years of age. If the individual is under sixteen years of age, the provisions outlined in paragraph (D)(2) of this rule are applicable;.

(5) A domestic or foreign corporation, by serving the agent authorized by appointment or by law to receive service of process, by serving the corporation by certified or express mail at any of its usual places of business, or by serving an officer or a managing or general agent of the corporation.

(E) Pursuant to section 3121.23 of the Revised Code, except when a provision of the Revised Code specifically authorizes or requires service by other means, service of any notice on any party, a financial institution, or payor, for

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purposes of Chapters 3119., 3121., 3123., and 3125. of the Revised Code, shall be made by ordinary first class mail directed to the addressee at the last known address or, in the case of a corporation, at its usual place of doing business. A notice shall be considered to have been served when it is mailed.

(F) The CSEA shall make diligent efforts for service of process as follows:

- (1) Determine whether the action is for the establishment of paternity or a support order, modification of an existing order, enforcement of the support order;
- (2) Determine the appropriate service of process method under this rule;
- (3) Utilize the most time-efficient means available to serve process; and
- (4) If service is not accomplished initially, it should be attempted periodically;
 - (a) If service has failed but location information exists, the CSEA must document each service attempt; or
 - (b) If service fails because the noncustodial parent is not at the most current address, the CSEA shall document this in the case file and resubmit the case for location.

(G) If an action to establish or enforce a support order is dismissed by the court without prejudice, the CSEA shall review the reason for dismissal and determine when it is appropriate to pursue establishment or enforcement in the future. The date, reason of dismissal, and the anticipated date the CSEA will pursue establishment or enforcement of a support order shall be documented in the case record.

(H) Once service of process is achieved, the time frames specified in rule 5101:12-45-05 of the Administrative Code apply.

See also OAC 5101:12-20-05 Location of an Individual for Support Enforcement Program Purposes Effective Date: June 15, 2006 in section 2 of 4.

(Source: Child Support Enforcement Manual)

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that...

Control Environment

- Sense of conducting operations ethically, as evidence of a code of conduct or other verbal or written directive.
- Management's positive responsiveness to control recommendations.
- Management respects and adheres to program compliance requirements.
- Key manager possess adequate knowledge and experience to discharge their responsibilities.

Risk Assessment

- Program managers and staff understand and have identified key compliance objectives.
- Process established to implement changes in program objectives and procedures.

Control Activities

- Procedures in place to identify changes in laws, regulations, and guidance affecting Federal awards.
- Policies and procedures in place to ensure compliance requirements are met.
- Personnel have adequate knowledge and experience to discharge responsibilities.

Information and Communication

- The system provides adequate source documentation.
- Record keeping system is established to ensure that documentation retained for the time period required by applicable requirements and appropriate records retention schedule.
- Information is accurate and accessible to those who need it.
- Established internal and external communication channels.
- Employee's duties and control responsibilities effectively communicated.

Monitoring

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<ul style="list-style-type: none"> • Ongoing monitoring through supervisory and management reviews. • Management meets with program monitors, auditors, and reviewers to evaluate program findings. • Internal audit routinely test for compliance with Federal requirements. 	
What control procedures address the compliance requirement?	WP Ref.
<p>Ohio's statewide system is known as the Support Enforcement Tracking System (SETS). A primary function of the system is Case Establishment and Case Management (CE/CM). The CE/CM function provides caseworkers with the tools they need to capture data regarding a IV-D case, track significant case events, and notify appropriate individuals of important case events and dates through printed material and/or electronic media. The CE/CM functionality incorporates the following subsystems:</p> <ul style="list-style-type: none"> ▪ Case Intake: allows the initiation of child support cases into SETS through both the application and Public Assistance referral processes; ▪ Inquiry: provides summary information on cases, individuals, and workers including current and historical data; ▪ Interstate: provides establishment and maintenance of interstate cases including automating the status request and response; ▪ Locate: gives workers the ability to initiate and track location efforts, including interfaces with outside state, federal and private agencies; ▪ Paternity Establishment: allows workers to initiate and track the paternity establishment process from intake to the establishment of parentage on a putative parent; ▪ Support Establishment: captures and maintains all data regarding court and/or administrative orders, including obligation breakdown information; ▪ Enforcement: allows initiation and tracking of activities performed to enforce the terms of a child support order; and, ▪ Case Tracking: provides an access mechanism utilized by the caseworker to update and view information regarding the case type (e.g., Public Assistance/Non Public Assistance), case mode (e.g., intake, enforcement) and current case status, including process, hearing and order information. <p>Counties implement internal procedures utilizing the system by establishing a caseload structure which is designed to deliver the IV-D program at the county level. The SETS caseload structure is designed to be highly adaptable to the needs and structures of the county.</p> <p>An individual IV-D case in SETS progresses through five core functional areas: intake, locate, paternity establishment, support establishment, and enforcement/ongoing. These core functional areas are closely aligned with the life-cycle of a child support case. A caseload can include cases of only one mode, cases of all modes, or any combination in between. The structure is designed in this manner to accommodate both generic and specialized county organizational structures.</p> <p>A specialized county structures caseloads to incorporate cases of only a certain case mode. Typically, a generic county assigns cases to caseloads and single caseworkers for the entire life-cycle of the case rather than transferring cases between caseloads as the case moves between case modes.</p> <p>Each county is able to adopt a structure which best suits their operation.</p> <p>To keep the caseworker informed on all aspects of a case status, the system generates alerts online when an action is required or an action has been taken.</p> <p>Alerts are designed to support federal and state guidelines and time frames in processing a IV-D cases by repeating caseworker notifications until the requirement is satisfied. Internal county procedures include a process to ensure that alerts are worked in a timely fashion.</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>Per 2009 OMB Compliance Supplement:</p> <ul style="list-style-type: none"> a. Review the agency's procedures for tracking case referrals for the provision of paternity and support obligation services and the type of documentation maintained that these services were provided or attempted. 	

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (1 of 4) – Establishment of Paternity and Support Obligations

- b. Test a sample of cases referred to the agency during the audit period to ascertain if:
 - (1) For cases involving a child born out of wedlock, the agency established or attempted to establish paternity.
 - (2) For all cases reviewed, the agency established or attempted to establish a support obligation.
 - (3) For State IV-D cases,
 - (a) The State achieved a successful outcome (i.e., an order was established within the review period). If so, the case meets the requirement and time frames need not be evaluated, as provided in 45 CFR section 308.2(b)(1).
 - (b) Paternity and support obligation services were provided within the required time frames.

Per ODJFS:

- 1) Was child support order establishment a requirement during the review period?
 - a) If yes, then go to question 2;
 - b) If no, then the case is not applicable to support establishment;
- 2) Was a child support order established during the review period?
 - a) If yes, then the case meets the requirement for support establishment;
 - b) If no, then go to questions 3 through 5; [Answer only one question below depending on the case circumstances]
- 3) If the non-custodial parent was located, was service accomplished within 90 calendar days of locate, or if service was unsuccessful, were unsuccessful attempts documented in accordance with the State’s definition of diligent efforts.
 - a) If yes, then the case meets the requirement for support establishment;
 - b) If no, then the case does not meet the support establishment requirement;
- 4) If location is needed, was the Federal locate requirement of 75 days met?
 - a) If the case is in locate mode in SETS and a social security number is entered for the non custodial parent then the system automatically returns location information from FPLS and the case meets the establishment requirement;
 - b) If the case is in locate mode but no social security number is entered for the non custodial parent, then the county will have needed to perform locate activities such as postal and employment verifications.
 - i) If location activities are documented, the case meets the establishment requirement.
 - ii) If location activities are not documented the case does not meet the establishment requirement.
- 5) If case opening was needed, was the Federal requirement of 20 days met?
 - a) If yes, then the case meets the requirement for support establishment
 - b) If no, then the case does not meet the support establishment requirement

Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)

A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (1 of 4) – Establishment of Paternity and Support Obligations

B. Assessment of Control Risk:

C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:

D. Results of Compliance (Substantive Tests) Tests:

E. Questioned Costs: Actual _____ Projected _____

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (2 of 4) – Enforcement of Support Obligations

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the IV-D agency monitored and, when necessary, enforced cases with support obligations. For State IV-D agencies, determine if actions were taken within required time frames.

Compliance Requirements

For all cases referred to the IV-D agency or applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with State or tribal law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100 or 45 CFR section 309.110. State IV-D agencies must initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent whichever occurs later. If service of process is unsuccessful, unsuccessful attempts must be documented and meet the State's guidelines defining diligent efforts. If enforcement attempts are unsuccessful, the State IV-D agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time (45 CFR section 303.6). Optional enforcement techniques available for use by the State's are found at 45 CFR sections 303.71, 303.73, and 303.104.

(Source: 2009 OMB Compliance Supplement)

Program Specific Requirements

Per ODJFS:

OAC 5101:12-55-03 Default. Effective Date: April 15, 2008

- (A) The rules contained in Chapter 5101:12-55 of the Administrative Code describe the default process and subsequent enforcement techniques that are available to enforce the support order.
- (B) As used in this chapter:
- (1) "Default" means, pursuant to division (B) of section 3121.01 of the Revised Code, any failure to pay under a support order that is an amount greater than or equal to the amount of support payable under the support order for one month.
 - (2) "Mistake of fact" means an error in the amount of the current support obligation or the arrears or in the identity of the obligor.
 - (3) "Period of default" means, pursuant to division (D) of section 3123.01 of the Revised Code, the period beginning on the date a default under a support order is identified and ending on the date the total arrearage amount owed under the order is paid.

OAC 5101:12-55-03.1 Identification of Default and Notice to Obligor of Default and Potential Action. Effective Date: April 15, 2008

- (A) At the end of each month, the support enforcement tracking system (SETS) identifies every obligor who appears to meet the default criteria.
- (B) Upon identifying that an obligor appears to meet the default criteria and the case meets the automatic income withholding criteria, SETS will issue a JFS 04047, "Order/Notice to Withhold Income for Child and Spousal Support" (rev. 12/2002), to the obligor's current employer and the obligor.
- (1) When a JFS 04047 is to be issued and a payment on arrears does not already exist, SETS will add a payment on arrears to the support order in an amount that represents twenty per cent of the current support obligation in accordance with section 3123.21 of the Revised Code.
 - (2) When a JFS 04047 is to be issued and a payment on arrears is added to the support order, SETS will issue

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (2 of 4) – Enforcement of Support Obligations

a JFS 07083, "Notice to Obligor Regarding Default and 20% Payment on Arrears" (rev. 12/2002), to the obligor.

(C) In accordance with section 3123.022 of the Revised Code:

(1) A JFS 04047 that is issued in accordance with this rule does not affect the obligor's right to request an administrative mistake of fact hearing; and

(2) The CSEA shall not alter or terminate a JFS 04047 that had been issued upon the identification of default should the obligor timely file a request for an administrative mistake of fact hearing.

(D) Approximately fifteen days after SETS identifies that an obligor meets the default criteria, the office of child support (OCS) will issue a JFS 04049, "Notice to Obligor of Default and Potential Action" (rev. 05/2005), to the last known address of the obligor. In accordance with section 3123.07 of the Revised Code, the failure of OCS to issue the JFS 04049 does not affect the ability of any CSEA to issue any notice or order for the payment of support, does not provide any defense to any notice or order for the payment of support, and does not affect any obligation to pay support.

OAC 5101:12-55-03.2 Default Investigation. Effective Date: April 15, 2008

(A) After an obligor is identified as appearing to meet the default criteria and before the JFS 04049, "Notice to Obligor of Default and Potential Action" (rev. 05/2005), is issued, the child support enforcement agency (CSEA) shall conduct an investigation to determine:

(1) Whether the obligor is in default;

(2) The amount of any arrears;

(3) The employment status of the obligor;

(4) The obligor's social security number;

(5) The name and business address of the obligor's employer or other source of income; and

(6) Any other information necessary for the CSEA to:

(a) Issue a JFS 04047, "Order/Notice to Withhold Income for Child and Spousal Support" (rev. 12/2002);

(b) Recommend that the court issue a cash bond order in accordance with rule 5101:12-50-15 of the Administrative Code; or

(c) Issue or recommend that the court issue a seek work order in accordance with rule 5101:12-50-17 of the Administrative Code.

(B) During the investigation the CSEA may also secure any other information necessary to enforce the support order including whether the obligor:

(1) Owns any real or personal property;

(2) Has any funds in a financial institution account as indicated on the financial institution data match report; or

(3) Holds any professional, recreational, and/or driver's license.

(C) When the CSEA concludes the investigation and determines that no default exists, the CSEA shall terminate the default proceedings. If a JFS 04047 was issued upon the identification of default, the CSEA shall revise the JFS 04047 to collect the support owed under the support order.

OAC 5101:12-55-03.4 Final and Enforceable Determination of Default. Effective Date: April 15, 2008

(A) A final and enforceable determination of default and of the amount of arrears owed exists when:

(1) OCS issues a JFS 04049, "Notice to Obligor of Default and Potential Action" (rev. 05/2005), to the obligor and the obligor does not request an administrative mistake of fact hearing within seven business days of the date the JFS 04049 was issued. The amount of arrears owed pursuant to the determination of default is the amount indicated on the JFS 04049.

(2) The obligor requests an administrative mistake of fact hearing on the JFS 04049 but does not request a court hearing within seven business days of the date of the administrative mistake of fact hearing determination was issued. The amount of arrears owed pursuant to the determination of default is the amount indicated on the

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administrative mistake of fact hearing determination.

(3) The obligor requests a court hearing on the administrative mistake of fact hearing determination and the court issues a determination. The amount of arrears owed pursuant to the determination of default is the amount indicated on the court determination.

(B) Within fifteen days of the date that a JFS 04049 becomes a final and enforceable determination of default, the child support enforcement agency (CSEA) shall:

(1) When a JFS 04047, "Order/Notice to Withhold Income for Child and Spousal Support" (rev. 12/2002), was not issued upon identification of default, issue a JFS 04047 to any available income sources.

(2) When a JFS 04047 was issued and the final and enforceable determination of default altered the arrears payment amount stated in the JFS 04049, issue a revised JFS 04047, when necessary.

(3) When a JFS 04047 was issued and the final and enforceable determination of default did not alter the arrears payment amount stated in the JFS 04049, permit the JFS 04047 to remain in effect.

(C) When an obligor is subject to a final and enforceable determination of default, the CSEA:

(1) Shall enforce the support order using appropriate enforcement techniques described in Chapter 5101:12-55 of the Administrative Code; and

(2) May enforce the support order using appropriate enforcement techniques described in Chapter 5101:12-50 of the Administrative Code.

OAC 5101:12-50-10.2 CSEA's Responsibility for Income Withholding and Income Deduction. Effective Date: January 1, 2008 This rule was revised 11/1/2009. See below for revised rule.

(A) When the child support enforcement agency (CSEA) determines that the obligor is receiving income from a payor, the CSEA shall issue a JFS 04047, "Notice to Withhold/Deduct Income for Support" (rev. 12/2002), within fifteen days of:

(1) Issuing or modifying an administrative support order;

(2) Receiving notice of a change in the obligor's source of income or the CSEA otherwise determining that there has been a change in the source of the obligor's income;

(3) Determining that a modified JFS 04047 is required as the result of an investigation concerning the termination of a support order; or

(4) Locating an obligor following the issuance or modification of the support order.

(B) When the CSEA determines that the obligor has funds on deposit in a financial institution, the CSEA may issue a JFS 04047.

(C) When a CSEA issues a JFS 04047 to a payor or financial institution, the CSEA shall simultaneously issue:

(1) A copy of the JFS 04047 to the obligor; and

(2) A JFS 04048, "Addendum Withholding Notice to Parties To A Support Order" (rev. 2/2002), to the obligee and obligor.

(D) To the extent possible, the CSEA shall issue a sufficient number of JFS 04047s to provide that the aggregate amount withheld or deducted satisfies the amount ordered for support plus any arrears that may be owed by the obligor under any prior orders that pertain to the same child and obligee.

(E) The CSEA may but is not required to supplement the JFS 04047 and JFS 04048 with additional notices or court orders as long as the time requirements of paragraphs (A) and (B) of this rule are met and no additional court hearings are required.

OAC 5101:12-50-10.2 CSEA's Responsibility for Income Withholding and Income Deduction. Effective Date: November 1, 2009

(A) When the child support enforcement agency (CSEA) determines that the obligor is receiving income from a payor,

N. Special Tests and Provisions (2 of 4) – Enforcement of Support Obligations

the CSEA shall issue a JFS 04047, "Notice to Withhold/Deduct Income for Support" (rev. 12/2002), within fifteen days of:

- (1) Issuing or modifying an administrative support order;
- (2) Receiving notice of a change in the obligor's source of income or the CSEA otherwise determining that there has been a change in the source of the obligor's income;
- (3) Determining that a modified JFS 04047 is required as the result of an investigation concerning the termination of a support order; or
- (4) Locating an obligor following the issuance or modification of the support order.

(B) When the CSEA determines that the obligor has funds on deposit in a financial institution, the CSEA may issue a JFS 04047.

(C) When a CSEA issues a JFS 04047 to a payor or financial institution, the CSEA shall simultaneously issue a copy of the JFS 04047 and JFS 04048, "Addendum to a Withholding Order" (rev. 10/2009) to the obligor.

(D) To the extent possible, the CSEA shall issue a sufficient number of JFS 04047s to provide that the aggregate amount withheld or deducted satisfies the amount ordered for support plus any arrears that may be owed by the obligor under any prior orders that pertain to the same child and obligee.

(E) The CSEA may but is not required to supplement the JFS 04047 and JFS 04048 with additional notices or court orders as long as the time requirements of paragraphs (A) and (B) of this rule are met and no additional court hearings are required.

OAC 5101:12-20-05 Location of an Individual for Support Enforcement Program Purposes Effective Date: June 15, 2006

(A) This rule and its supplemental rules describe the requirements that shall be followed by a child support enforcement agency (CSEA) for the location of an individual for the purpose of providing support enforcement program services and the location sources that are available for this purpose.

(B) The CSEA shall provide location services when:

- (1) The residential address or employment of an individual is unknown; or
- (2) A request for location-only services is received.

(C) The CSEA shall accept a request for location-only services when filed by a resident parent, legal guardian, attorney, or agent of a child who is not a recipient of Ohio works first, medicaid, or Title IV-E foster care maintenance benefits.

(D) The CSEA shall access all appropriate location sources within seventy-five days of determining that location is necessary. The CSEA shall access, validate, and utilize the information received from every appropriate location source to take the next step required to provide support enforcement program services.

(E) When information received from the location source is deemed unreliable, or when otherwise appropriate, the CSEA shall verify the information.

See also OAC 5101:12-30-10 Service of Process. Effective Date: July 15, 2007 located in section 1 of 4

(Source: Child Support Program Manual)

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that...

Control Environment

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (2 of 4) – Enforcement of Support Obligations

- Sense of conducting operations ethically, as evidence of a code of conduct or other verbal or written directive.
- Management’s positive responsiveness to control recommendations.
- Management respects and adheres to program compliance requirements.
- Key manager possess adequate knowledge and experience to discharge their responsibilities.

Risk Assessment

- Program managers and staff understand and have identified key compliance objectives.
- Process established to implement changes in program objectives and procedures.

Control Activities

- Procedures in place to identify changes in laws, regulations, and guidance affecting Federal awards.
- Policies and procedures in place to ensure compliance requirements are met.
- Personnel have adequate knowledge and experience to discharge responsibilities.

Information and Communication

- The system provides adequate source documentation.
- Record keeping system is established to ensure that documentation retained for the time period required by applicable requirements and appropriate records retention schedule.
- Information is accurate and accessible to those who need it.
- Established internal and external communication channels.
- Employee’s duties and control responsibilities effectively communicated.

Monitoring

- Ongoing monitoring through supervisory and management reviews.
- Management meets with program monitors, auditors, and reviewers to evaluate program findings.
- Internal audit routinely test for compliance with Federal requirements.

What control procedures address the compliance requirement?

WP Ref.

Ohio’s statewide system is known as the Support Enforcement Tracking System (SETS). A primary function of the system is Case Establishment and Case Management (CE/CM). The CE/CM function provides caseworkers with the tools they need to capture data regarding a IV-D case, track significant case events, and notify appropriate individuals of important case events and dates through printed material and/or electronic media. The CE/CM functionality incorporates the following subsystems:

- Case Intake: allows the initiation of child support cases into SETS through both the application and Public Assistance referral processes;
- Inquiry: provides summary information on cases, individuals, and workers including current and historical data;
- Interstate: provides establishment and maintenance of interstate cases including automating the status request and response;
- Locate: gives workers the ability to initiate and track location efforts, including interfaces with outside state, federal and private agencies;
- Paternity Establishment: allows workers to initiate and track the paternity establishment process from intake to the establishment of parentage on a putative parent;
- Support Establishment: captures and maintains all data regarding court and/or administrative orders, including obligation breakdown information;
- Enforcement: allows initiation and tracking of activities performed to enforce the terms of a child support order; and,
- Case Tracking: provides an access mechanism utilized by the caseworker to update and view information regarding the case type (e.g., Public Assistance/Non Public Assistance), case mode (e.g., intake, enforcement) and current case status, including process, hearing and order information.

Counties implement internal procedures utilizing the system by establishing a caseload structure which

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (2 of 4) – Enforcement of Support Obligations	
<p>is designed to deliver the IV-D program at the county level. The SETS caseload structure is designed to be highly adaptable to the needs and structures of the county.</p> <p>An individual IV-D case in SETS progresses through five core functional areas: intake, locate, paternity establishment, support establishment, and enforcement/ongoing. These core functional areas are closely aligned with the life-cycle of a child support case. A caseload can include cases of only one mode, cases of all modes, or any combination in between. The structure is designed in this manner to accommodate both generic and specialized county organizational structures.</p> <p>A specialized county structures caseloads to incorporate cases of only a certain case mode. Typically, a generic county assigns cases to caseloads and single caseworkers for the entire life-cycle of the case rather than transferring cases between caseloads as the case moves between case modes.</p> <p>Each county is able to adopt a structure which best suits their operation.</p> <p>To keep the caseworker informed on all aspects of a case status, the system generates alerts online when an action is required or an action has been taken.</p> <p>Alerts are designed to support federal and state guidelines and time frames in processing a IV-D cases by repeating caseworker notifications until the requirement is satisfied. Internal county procedures include a process to ensure that alerts are worked in a timely fashion.</p>	
Suggested Audit Procedures – Compliance (Substantive Tests)	
<p>Per 2009 OMB Compliance Supplement:</p> <ol style="list-style-type: none"> a. Review the agency's procedures for tracking case referrals and identifying those cases where an obligation to support has been ordered and the amount of the support obligation has been established. b. Test a sample of cases where an obligation to support had been ordered to ascertain that the agency monitored such cases, and, for State IV-D agencies, identified those cases requiring enforcement within the required time frame. c. For selected cases identified as requiring enforcement by a State IV-D agency, verify that enforcement action was initiated within the required time frame. Ascertain if a collection resulting from an enforcement action was received. If so, no further audit procedures are necessary. If a collection was not received: <ol style="list-style-type: none"> (1) Ascertain if use of income withholding was appropriate. If so, verify that it was initiated within required time frame. (2) If income withholding was not appropriate and/or was not successful, ascertain if the agency scheduled and took another enforcement action. d. If a service of process was necessary, but unsuccessful, verify that unsuccessful attempts were documented and met the diligent effort standard under the agency's diligent effort definition. <p>Per ODJFS:</p> <ol style="list-style-type: none"> 1) Was enforcement of a support obligation a requirement during the review period? <ol style="list-style-type: none"> a) Was the case in arrears an amount equal to one month's obligation? <ol style="list-style-type: none"> i) If yes, then go to question 2; ii) If no, then the case is not applicable to enforcement [go to question 9 for medical support] 2) Was an income withholding (IW) collection received in the review period? <ol style="list-style-type: none"> a) If yes, then the case meets the requirement for enforcement [go to question 9 for medical support] b) If no, go to question 3. 3) If a collection from income withholding was not received, was any collection received as a result of an enforcement action, excluding federal and state tax offset collections? <ol style="list-style-type: none"> a) Was a collection received as a result of FIDM, Lien, License suspension, Passport denial, 	<p>WP Ref.</p>

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (2 of 4) – Enforcement of Support Obligations

Lottery intercept or other enforcement action undertaken?

- i) If yes, then the case meets the requirement for enforcement [go to question 9 for medical support]
 - ii) If no, go to question 4.[Evaluate only 1 question between 4 and 7 depending on the last required action during the review period].
- 4) If IW was appropriate, were IW actions initiated during the review period?
- a) Was an employer or other income source identified and an income withholding notice issued?
 - i) If yes, then the case meets the requirement for enforcement [go to question 9 for medical support]
 - ii) If no, go to question 5.
- 5) If IW was not appropriate, were other appropriate enforcement action(s) initiated within Federal time frames (excluding tax offset), within no greater than 30 days, or if service of process was necessary but unsuccessful, were unsuccessful attempts documented to meet State’s diligent efforts definition?
- a) If yes, then the case meets the requirement for enforcement [go to question 9 for medical support]
 - b) If no, go to question 6.
- 6) If the non-custodial parent’s address and/or employer needed to be located, was the Federal requirement of 75 days met?
- a) If the case is in locate mode in SETS and a social security number is entered for the non custodial parent then the system automatically returns location information from FPLS and the case meets the enforcement requirement [go to question 9 for medical support].
 - b) If the case is in locate mode but no social security number is entered for the non custodial parent, then review SFRC for locate activities such as postal and employment verifications. If found then the case meets the enforcement requirement. [go to question 9 for medical support].
- 7) If case opening was required, was the Federal requirement of 20 days met for applications/referrals)?
- a) If yes, the case meets the requirement for enforcement requirement [go to question 9 for medical support].
 - b) If no, the case does not meet the requirement for the enforcement requirement.
- 8) If case had arrearages, was it submitted for Federal and State Tax Refund Offsets, if appropriate?
- a) Eligible cases in SETS are automatically submitted for federal and state tax offset.

Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)

A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)

B. Assessment of Control Risk:

C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:

D. Results of Compliance (Substantive Tests) Tests:

E. Questioned Costs: Actual _____ Projected _____

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (3 of 4) – Securing and Enforcing Medical Support Obligations – State Program

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §____.500(c).
- 2) Determine whether the State IV-D agency petitioned for and secured or pursued enforcement of medical support in the form of health insurance and/or cash medical support as part of support orders and informed the Medicaid agency and custodial parent as required.

Compliance Requirements

The State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage and/or cash medical support in all new or modified orders for support be provided by either or both parents. The agency is also required to establish written criteria to identify cases not included above, where there is a high potential for obtaining medical support based on: (a) available evidence that health insurance may be available to either or both parents at reasonable cost, and (b) facts (as defined by the State) which are sufficient to warrant modification of an existing support order to include health insurance coverage for a dependent child(ren). For cases meeting the established criteria, the agency shall petition the court or administrative authority to modify support orders to include medical support in the form of health insurance coverage and/or payment for medical expenses incurred on behalf of the child (45 CFR sections 303.31(b)(1)-(4) and DRA, Section 7307).

For non-TANF cases, the agency shall petition for medical support when the eligible individual is a Medicaid recipient or with consent of the individual if not a Medicaid recipient (45 CFR section 303.31(c)).

In cases where medical support is ordered, the agency is required to verify that it was obtained. If it was not obtained, the agency should take steps to enforce the health insurance coverage required by the support order, unless it determines that health insurance was not available to either or both parents at reasonable cost (45 CFR section 303.31(b)(7) and DRA, Section 7307).

The agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order (45 CFR sections 303.31(b)(5) and (6)).

The medical support provisions outlined in DRA, Section 7307 have an effective date of October 1, 2006.

In the case where the Secretary of HHS determines that State legislation is required to meet any of the requirements imposed by Subtitle C of Title VII of the DRA, the effective date shall be 3 months after the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that began after the date of the enactment of the DRA (February 8, 2006). For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of the session shall be considered to be a separate regular session of the State legislature.

(Source: 2009 OMB Compliance Supplement)

Program Specific Requirements

Per ODJFS:

OAC 5101:12-47-01 Medical Support Provisions. Effective Date: March 1, 2009

Most Current Prior Effective Date: January 1, 2007

The following definitions apply throughout division 5101:12 of the Administrative Code:

(A) "Accessible" means that primary care services are located within thirty miles from the residence of the child subject to the child support order. Private health insurance is presumed accessible unless determined inaccessible by a child support enforcement agency (CSEA) during an administrative proceeding, or by a court with jurisdiction over the

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (3 of 4) – Securing and Enforcing Medical Support Obligations – State Program

child support case.

- (B) "Cash medical support" has the same meaning as in division (A)(1) of section 3119.29 of the Revised Code.
- (C) "Child support order" means either a court child support order or administrative child support order.
- (D) "Federal poverty level for an individual" means the official poverty guideline amount for a one-person household, as revised annually in accordance with 42 U.S.C. 9902(2).
- (E) "Health plan administrator" means any entity authorized under Title XXXIX of the Revised Code to engage in the business of insurance in this state, any health insuring corporation, any legal entity that is self-insured and provides benefits to its employees or members, and the administrator of any such entity or corporation.
- (F) "Health insurance obligor" means a person who is required under a child support order to provide private health insurance coverage for the child subject to the child support order. The health insurance obligor may be either the custodial parent or caretaker, the non-custodial parent, or both.
- (G) "Medical support" means a provision of a support order:
- (1) To provide private health insurance coverage for the child subject to the support order that is reasonable in cost and presumed to be accessible, or to report available health insurance coverage;
 - (2) To provide cash medical support when private health insurance coverage is not available to either party or is not being provided by the health insurance obligor(s) in accordance with the order;
 - (3) For the shared responsibility of uncovered healthcare expenses; or
 - (4) That is issued by the court for payment of a specified dollar amount for medical expenses incurred on behalf of the individual subject to the support order.
- (H) "Primary care services" means health care services and laboratory services customarily provided by or through a licensed general practitioner, family medicine physician, internal medicine physician, or pediatrician.
- (I) "Reasonable cost" and "reasonable in cost" mean:
- (1) For a child support order issued or modified before July 21, 2008, employment-related health insurance coverage or other group health insurance, regardless of service delivery mechanism; or
 - (2) For a child support order issued or modified on or after July 21, 2008, the cost of health insurance to a parent does not exceed five per cent of the annual gross income of the parent. In applying the five per cent to the cost, the cost is the difference between self-only and family coverage.
- "Family coverage" means the lowest-cost private health insurance plan that provides coverage for the child(ren) subject to the child support order.
- (J) "Shared responsibility of uncovered healthcare expenses" means the medical support provision established under an equitable formula in accordance with section 3119.30 or 3119.32 of the Revised Code for the obligor and obligee to each cover an identified percentage of:
- (1) The costs of the healthcare needs of the child subject to the child support order that exceed the amount of cash medical support to be paid when private health insurance coverage is not available to either party; or
 - (2) The uninsured health care costs or co-payment or deductible costs required under the health insurance policy, contract, or plan that covers the child subject to the child support order when private health insurance coverage is provided in accordance with the order.

OAC 5101:12-47-01.1 Medical Support Provisions for Health Insurance and Uncovered Expenses. Effective Date: March 1, 2009

- (A) In any action or proceeding in which a child support enforcement agency (CSEA) issues or modifies a child support order, each party to the child support order is required to provide a list of any available private group health insurance policies, contracts, or plans to the CSEA.
- (B) Based on information provided by the parties in accordance with paragraph (A) of this rule, when the CSEA issues or modifies a child support order, the CSEA shall include one of the following:

N. Special Tests and Provisions (3 of 4) – Securing and Enforcing Medical Support Obligations – State Program

- (1) A requirement that both the obligor and the obligee obtain private health insurance coverage for the child, if coverage that is reasonable in cost is available to both the obligor and the obligee and dual coverage will provide for coordination of medical benefits without unnecessary duplication of coverage.
- (2) A requirement that the obligee obtain private health insurance coverage for the child, if coverage that is reasonable in cost is available through any group policy, contract, or plan available to the obligee and is available at a more reasonable cost than coverage is available to the obligor.
- (3) A requirement that the obligor obtain private health insurance coverage for the child, if coverage that is reasonable in cost is available through any group policy, contract, or plan available to the obligor and is available at a more reasonable cost than coverage is available to the obligee.
- (4) If private health insurance coverage for the child that is reasonable in cost is not available to the obligor or the obligee at the time that the child support order is issued, a requirement that the obligor and the obligee immediately inform the CSEA administering the child support order when private health insurance coverage for the child becomes available to either the obligor or the obligee.

(C) When a CSEA determines the medical support provision described in paragraph (B) of this rule, the CSEA shall consider any private health insurance in which the obligor, obligee, and/or child are enrolled at the time that the CSEA issues or modifies the child support order.

(D) In accordance with sections 3119.30 and 3119.32 of the Revised Code, in any action or proceeding in which the CSEA is issuing or modifying a child support order, the CSEA shall order or recommend the medical support provision for the shared responsibility of uncovered healthcare expenses.

(E) Variations.

Variations from private health insurance standards for child support orders issued or modified in accordance with section 3119.30 of the Revised Code as adopted under Amended Substitute House Bill 119 of the 127th General Assembly.

(1) When the cost of private health insurance coverage for the child to either parent exceeds five per cent of that parent's annual gross income, the CSEA shall not order that parent to provide the private health insurance coverage for the child that exceeds the reasonable cost standard unless:

- (a) Both parents agree that the parent be ordered to provide the private health insurance that exceeds the reasonable cost standard; or
- (b) One of the parents requests to be ordered to provide the private health insurance that exceeds the reasonable cost standard.

When the CSEA issues the variation to the reasonable cost standard, the CSEA shall document the variation on the child support order.

(2) A CSEA may extend the thirty-mile accessibility standard for private health insurance when residents in part or all of the immediate geographic area customarily travel farther distances than thirty miles for primary care services. "Immediate geographic area" means the county in which the child resides. When the child's residence is within ten miles of the county line, "immediate geographic area" includes the county in which the child resides and any bordering county.

When the CSEA extends the thirty-mile accessibility standard, the CSEA shall document the variation on the child support order.

(3) A CSEA may expand the accessibility standard to include the requirement that the primary care services must be available by public transportation when the custodial parent or caretaker is dependent upon public transportation.

When the CSEA expands the accessibility standard to include the stipulation described in paragraph (E)(3) of this rule, the CSEA shall document the variation on the child support order.

OAC 5101:12-47-01.2 Medical Support Provision for Cash Medical Support. Effective Date: March 1, 2009

(A) In any action or proceeding in which the child support enforcement agency (CSEA) issues or modifies a child support order in accordance with section 3119.30 of the Revised Code as adopted under Amended Substitute House

N. Special Tests and Provisions (3 of 4) – Securing and Enforcing Medical Support Obligations – State Program

Bill 119 of the 127th General Assembly, the CSEA shall include the medical support provision for the obligor to pay cash medical support during any period in which private health insurance coverage for the child is not available to either party or is not being provided by the health insurance obligor(s) in accordance with the order.

The CSEA shall calculate the cash medical support amount in accordance with this rule and with the Ohio child support guidelines as described in rule 5101:12-45-10 of the Administrative Code.

(B) The cash medical support obligation shall:

- (1) Commence on the first day of the month following the month in which private health insurance coverage for the child that is provided in accordance with the order is unavailable or terminates.
- (2) Cease on the last day of the month immediately preceding the month in which private health insurance coverage for the child that is provided in accordance with the order begins or resumes.

(C) When an obligor has an annual gross income that is less than one hundred fifty per cent of the federal poverty level for an individual, the CSEA shall establish the amount of the cash medical support obligation as zero dollars.

(D) When an obligor has an annual gross income that is one hundred fifty per cent or more of the federal poverty level for an individual, the CSEA shall establish the amount of the cash medical support obligation as the lesser of:

- (1) Five per cent of the adjusted gross income of the obligor, or
- (2) The amount identified on the JFS 05050, "Ohio department of job and family services United states department of agriculture cash medical support schedule" (8/2008).

(E) Cash medical support shall be paid by the obligor through the child support payment central:

- (1) To the obligee when the child is not a medicaid recipient.
- (2) To the Ohio department of job and family services to defray the cost of medicaid expenditures when the child is a medicaid recipient pursuant to section 3119.30 of the Revised Code and 42 U.S.C. 1396 (k)(a)(1)(A) (1/2/2006).

(F) During the period when cash medical support is required to be paid:

- (1) The obligor must immediately inform the CSEA when private health insurance coverage for the child becomes available to the obligor, and
- (2) The obligee must immediately inform the CSEA when private health insurance coverage for the child becomes available to the obligee.

OAC 5101:12-57-01 Enforcement of Medical Support Provisions. Effective Date: March 1, 2009

Most Current Prior Effective Date: [January 1, 2007](#)

(A) The rules in Chapter 5101:12-57 of the Administrative Code describe the responsibility of a child support enforcement agency (CSEA) to enforce the medical support provisions that are contained in a child support order.

(B) Throughout division 5101:12 of the Administrative Code, "Consumer Credit Protection Act" means the federal wage garnishment law in accordance with 15 U.S.C. 1673(b) (11/6/1978) that limits the amount of an employee's earnings that may be garnished in any one week.

(C) Fully subsidized Medicaid does not satisfy the requirement of the health insurance obligor to provide private health insurance coverage for a child under a child support order.

(D) In accordance with section 3119.43 of the Revised Code, when the a health insurance obligor does not obtain the required private health insurance coverage within thirty days after the child support order or the JFS 04033, "Notice to Provide Private Health Insurance" (8/2008), is issued, the CSEA shall notify the court that issued the child support order or, with respect to an administrative child support order, the court of common pleas of the county in which the CSEA is located, in writing of the failure of the health insurance obligor to comply with the child support order.

OAC 5101:12-57-01.1 Enforcement of Order to Report Private Health Insurance. Effective Date: March 1, 2009

(A) The provisions of this rule only apply to child support orders issued or modified in accordance with section 3119.30 of the Revised Code as adopted under Amended Substitute House Bill 119 of the 127th General Assembly.

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(B) A child support order issued or modified pursuant to division (B)(4) of 3119.30 of the Revised Code requires both parties to the child support order to report available private health insurance coverage to the child support enforcement agency (CSEA).

(1) When a CSEA becomes aware that private health insurance coverage for the child may be available to a party and a health insurance obligor has not been established under the child support order, the CSEA shall conduct an investigation to determine whether private health insurance coverage for the child that is reasonable in cost is available.

The CSEA shall use line 7b of the child support computation worksheet from the most recent child support order to determine reasonable cost.

(2) When the CSEA determines that private health insurance coverage for the child that is reasonable in cost is not available, the CSEA shall issue the JFS 04032, "Notice to Provide Cash Medical Support" (8/2008), to both parties, notifying the parties of the determination and that:

(a) The cash medical support obligation and the child support obligation when health insurance is not available shall continue; and

(b) Both parties have a right to request a medical support mistake of fact hearing regarding whether private health insurance coverage for the child that is accessible and reasonable in cost is available to either party.

(3) When the CSEA determines that private health insurance coverage for the child that is reasonable in cost is available, the CSEA shall:

(a) Issue the JFS 04033, "Notice to Provide Private Health Insurance" (8/2008), to both parties, notifying the parties that:

(i) The party to whom the coverage is available is now the health insurance obligor and is ordered to provide the private health insurance coverage for the child;

(ii) The current cash medical support obligation shall cease in accordance with rule 5101:12-47-01.2 of the Administrative Code and the current child support obligation shall be the amount ordered to be paid when health insurance is available; and

(iii) Both parties have a right to request a medical support mistake of fact hearing regarding whether private health insurance coverage for the child that is accessible and reasonable in cost is available to the health insurance obligor;

(b) Issue a copy of the JFS 04033 to the court, when the child support order is a court order;

(c) Issue any modified income withholding or deduction notices necessary when the cash medical support stops; and

(d) Enforce the medical support provision to provide the private health insurance in accordance with rules 5101:12-57-10 to 5101:12-57-10.6 of the Administrative Code.

(C) A child support order issued or modified pursuant to division (B)(1), (B)(2), or (B)(3) of section 3119.30 of the Revised Code requires the health insurance obligor(s) to provide private health insurance that is reasonable in cost and both parties to report available coverage to the CSEA when the coverage is not being provided by the health insurance obligor(s) in accordance with the order.

(1) When a CSEA becomes aware that private health insurance coverage for the child is available to one of the parties and cash medical support is to be paid because coverage is not currently being provided by the health insurance obligor(s) in accordance with the order, the CSEA shall conduct an investigation.

During the investigation, the CSEA shall determine whether private health insurance coverage for the child is available to the party. The CSEA is not required to determine whether the private health insurance coverage is reasonable in cost.

(2) When the CSEA determines that private health insurance coverage for the child is available to the health insurance obligor, the CSEA shall:

(a) Issue the JFS 04031, "Notice Regarding Cash Medical Support Order" (8/2008), to both parties, notifying

N. Special Tests and Provisions (3 of 4) – Securing and Enforcing Medical Support Obligations – State Program

the parties that:

- (i) The health insurance obligor is ordered to provide the private health insurance coverage for the child;
 - (ii) The current cash medical support obligation shall cease in accordance with rule 5101:12-47-01.2 of the Administrative Code and the current child support obligation shall be the amount ordered to be paid when health insurance is available; and
 - (iii) Both parties have a right to request a medical support mistake of fact hearing regarding whether private health insurance coverage for the child that is accessible and reasonable in cost is available to the health insurance obligor(s);
- (b) Issue any modified income withholding notices necessary when the cash medical support order stops; and
- (c) Enforce the medical support provision to provide the private health insurance in accordance with rules 5101:12-57-10 to 5101:12-57-10.6 of the Administrative Code.
- (3) When the CSEA determines that private health insurance coverage for the child is being provided by the other party, the CSEA shall document the coverage in the case record.
- (4) When the CSEA determines that private health insurance coverage for the child is not available to either party, the CSEA shall document the findings in the case record and is not required to take any further action.

OAC 5101:12-57-01.2 Enforcement of Cash Medical Support Obligation. Effective Date: March 1, 2009

(A) This rule describes the requirements of the child support enforcement agency (CSEA) during any period in which an obligor is ordered to pay cash medical support because private health insurance coverage for the child as ordered is no longer available to the health insurance obligor.

(B) The provisions of this rule only apply to child support orders issued or modified in accordance with division (B)(1), (B)(2), or (B)(3) of section 3119.30 of the Revised Code as adopted under Amended Substitute House Bill 119 of the 127th General Assembly.

(C) When a CSEA determines that private health insurance coverage for the child is no longer being provided by the health insurance obligor(s) in accordance with the order, the CSEA shall:

- (1) Issue the JFS 04032, "Notice to Provide Cash Medical Support" (8/2008), to both parties of the child support order, notifying the parties that:
 - (a) The obligor shall pay the current cash medical support obligation and the current child support obligation ordered to be paid when health insurance is not available;
 - (b) When private health insurance is available to either party, the party to whom the coverage is available is required to immediately inform the CSEA of the coverage; and
 - (c) Both parties have a right to request a medical support mistake of fact hearing regarding whether private health insurance coverage for the child that is accessible and reasonable in cost is available to the health insurance obligor(s); and
- (2) Issue any modified income withholding or deduction notices necessary.

(Source: Child Support Program Manual)

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that...

Control Environment

- Sense of conducting operations ethically, as evidence of a code of conduct or other verbal or written directive.
- Management's positive responsiveness to control recommendations.
- Management respects and adheres to program compliance requirements.
- Key manager possess adequate knowledge and experience to discharge their responsibilities.

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Risk Assessment

- Program managers and staff understand and have identified key compliance objectives.
- Process established to implement changes in program objectives and procedures.

Control Activities

- Procedures in place to identify changes in laws, regulations, and guidance affecting Federal awards.
- Policies and procedures in place to ensure compliance requirements are met.
- Personnel have adequate knowledge and experience to discharge responsibilities.

Information and Communication

- The system provides adequate source documentation.
- Record keeping system is established to ensure that documentation retained for the time period required by applicable requirements and appropriate records retention schedule.
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Monitoring

- Ongoing monitoring through supervisory and management reviews.
- Management meets with program monitors, auditors, and reviewers to evaluate program findings.
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What control procedures address the compliance requirement?	WP Ref.
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- Inquiry: provides summary information on cases, individuals, and workers including current and historical data;
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Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
<p>Per 2009 OMB Compliance Supplement:</p> <ul style="list-style-type: none"> a. Test a sample of cases determined eligible during the audit period for services under 45 CFR section 302.33 to ascertain if the agency determined whether the custodial parent had satisfactory health insurance other than Medicaid. b. For those selected cases where the custodial parent and child do not have satisfactory health insurance other than Medicaid, verify that the agency petitioned the court or administrative authority for health insurance coverage and/or cash medical support when required. c. For selected cases where medical support was ordered, ascertain that the agency verified that medical support was obtained by the obligated parent. If medical support was not obtained by the obligated parent, ascertain if the agency either made a determination that health insurance was not available at a reasonable cost or took action to enforce and obtain the medical support. d. For selected cases where the obligated parent had health insurance or when health insurance was obtained by the agency, ascertain if there is documentation that the Medicaid agency and the custodial parent were informed. <p>Per ODJFS:</p> <p>9) For cases with support orders, was there a provision for medical support ordered (health insurance and/or cash medical)? If not ordered, was a provision for medical support included in the petition for support?</p> <ul style="list-style-type: none"> a) If yes, then go to question 10. b) If no, then the case does not meet the medical support establishment requirement. <p>10) Was health insurance coverage enforced?</p> <ul style="list-style-type: none"> a) Was the National Medical Support Notice (NMSN) issued? <ul style="list-style-type: none"> i) SETS automatically issues the notice when a health insurance order has been established and a valid employer exists for the non custodial parent ii) Was the NMSN returned by the employer and entered into SETS by the county or if not returned, did the county follow up with the employer? If yes, go to question 12. iii) If no, then go to question 11. <p>11) Was cash medical enforced?</p> <ul style="list-style-type: none"> a) For newly established or modified cases, when health insurance is not available or is not being 	

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provided as ordered, a cash medical amount may be required to be paid.

- i) Review case notes to determine if a new withholding order was issued to the employer which included a payment amount for cash medical. If yes, the case meets the requirement for medical support enforcement.

12) If Health insurance was provided as ordered, were the Medicaid Agency and the custodial parent notified?

- a) SETS automatically sends notification to the Medicaid agency when an assignment exists and health insurance is being provided.
- b) Was the custodial parent notified that health insurance coverage was available?
 - i) If yes, the case meets the requirement for medical support enforcement.
 - ii) If no, the case does not meet the requirement for medical support enforcement.

Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)

A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)

B. Assessment of Control Risk:

C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:

D. Results of Compliance (Substantive Tests) Tests:

E. Questioned Costs: Actual _____ Projected _____

* Cross-reference to the working papers where the tests of controls or compliance tests have been performed.

N. Special Tests and Provisions (4 of 4) – Provision of Child Support Services for Interstate Cases – State Program

Audit Objectives

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 § 500(c).
- 2) Determine whether the State IV-D agency provided required child support services to interstate cases within the required time frames.

Compliance Requirements

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

(Source: 2009 OMB Compliance Supplement)

Program Specific Requirements

5101:12-70-05.1 Requirements for Initiating and Responding CSEAs in Interstate Cases. Effective Date: August 1, 2008

(A) This rule describes the specific requirements that an initiating or a responding child support enforcement agency (CSEA) shall follow in the processing of an interstate case. (B) An initiating CSEA shall:

- (1) Notify the child support agency in the responding state of any new information received on a case within ten business days of receipt of that information;
- (2) Provide the child support agency in the responding state with any additional information requested or notify the responding child support agency when the information shall be provided within thirty days of receipt of the request;
- (3) Send a copy of a notice received from a court or tribunal to an obligee within two business days of receiving it from the court or tribunal;
- (4) Send a copy of a written communication from the obligor or the obligor's attorney to the obligee within two business days of receiving it from the court or tribunal;
- (5) Notify the obligee within ten business days if jurisdiction over the obligor cannot be obtained.
- (6) Furnish a certified statement by the custodian of the record of the amounts and dates of all payments received to a requesting party or child support agency of another state. Initiating CSEAs may use a stamp on the record to indicate that it is a true and accurate statement of arrears;
- (7) Pay the cost of genetic testing when the petition is to determine the existence or non-existence of a father and child relationship and there is not a final and enforceable determination of paternity.

(C) A responding CSEA shall:

- (1) Return the Uniform Interstate Family Support Act (UIFSA) petition to the child support agency in the initiating state or, if directed by the child support agency in the initiating state, send the UIFSA petition to the child support agency in the state where the obligor has been located and notify the Ohio interstate central registry (ICR) where the case has been sent within ten business days of locating the obligor in a different state;
- (2) Provide notice to the child support agency in the initiating state within ten business days of the scheduling of any administrative or judicial hearings on a case;
- (3) Notify the child support agency in the initiating state of any new information on a case within ten business

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days of receipt of the information;

- (4) Notify the child support agency in the initiating state of the correct Ohio case number whenever an application received from the Ohio ICR is merged into an existing case by the CSEA;
- (5) Notify the Ohio ICR within ten business days when a case has been closed;
- (6) Enable a court in Ohio or tribunal in another state to obtain jurisdiction over the party that resides in Ohio;
- (7) Request the Ohio court with jurisdiction to set a date, time, and place for a hearing, when appropriate;
- (8) Make reasonable efforts to obtain necessary case information.
- (9) Provide a statement of the amounts and dates of all payments received, when requested by a case participant or the child support agency of another state. The statement must be certified by the custodian of the records. The CSEA may use a stamp on the record to indicate that it is a true and accurate statement.
- (10) Pay the costs of processing interstate cases.

(Source: Child Support Program Manual)

In determining how the client ensures compliance, consider the following:

Control Objectives

To provide reasonable assurance that...

Control Environment

- Sense of conducting operations ethically, as evidence of a code of conduct or other verbal or written directive.
- Management’s positive responsiveness to control recommendations.
- Management respects and adheres to program compliance requirements.
- Key manager possess adequate knowledge and experience to discharge their responsibilities.

Risk Assessment

- Program managers and staff understand and have identified key compliance objectives.
- Process established to implement changes in program objectives and procedures.

Control Activities

- Procedures in place to identify changes in laws, regulations, and guidance affecting Federal awards.
- Policies and procedures in place to ensure compliance requirements are met.
- Personnel have adequate knowledge and experience to discharge responsibilities.

Information and Communication

- The system provides adequate source documentation.
- Record keeping system is established to ensure that documentation retained for the time period required by applicable requirements and appropriate records retention schedule.
- Information is accurate and accessible to those who need it.
- Established internal and external communication channels.
- Employee’s duties and control responsibilities effectively communicated.

Monitoring

- Ongoing monitoring through supervisory and management reviews.
- Management meets with program monitors, auditors, and reviewers to evaluate program findings.
- Internal audit routinely test for compliance with Federal requirements.

What control procedures address the compliance requirement?

WP Ref.

Ohio’s statewide system is known as the Support Enforcement Tracking System (SETS). A primary function of the system is Case Establishment and Case Management (CE/CM). The CE/CM function provides caseworkers with the tools they need to capture data regarding a IV-D case, track significant

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- case events, and notify appropriate individuals of important case events and dates through printed material and/or electronic media. The CE/CM functionality incorporates the following subsystems:
- Case Intake: allows the initiation of child support cases into SETS through both the application and Public Assistance referral processes;
 - Inquiry: provides summary information on cases, individuals, and workers including current and historical data;
 - Interstate: provides establishment and maintenance of interstate cases including automating the status request and response;
 - Locate: gives workers the ability to initiate and track location efforts, including interfaces with outside state, federal and private agencies;
 - Paternity Establishment: allows workers to initiate and track the paternity establishment process from intake to the establishment of parentage on a putative parent;
 - Support Establishment: captures and maintains all data regarding court and/or administrative orders, including obligation breakdown information;
 - Enforcement: allows initiation and tracking of activities performed to enforce the terms of a child support order; and,
 - Case Tracking: provides an access mechanism utilized by the caseworker to update and view information regarding the case type (e.g., Public Assistance/Non Public Assistance), case mode (e.g., intake, enforcement) and current case status, including process, hearing and order information.

Counties implement internal procedures utilizing the system by establishing a caseload structure which is designed to deliver the IV-D program at the county level. The SETS caseload structure is designed to be highly adaptable to the needs and structures of the county.

An individual IV-D case in SETS progresses through five core functional areas: intake, locate, paternity establishment, support establishment, and enforcement/ongoing. These core functional areas are closely aligned with the life-cycle of a child support case. A caseload can include cases of only one mode, cases of all modes, or any combination in between. The structure is designed in this manner to accommodate both generic and specialized county organizational structures.

A specialized county structures caseloads to incorporate cases of only a certain case mode. Typically, a generic county assigns cases to caseloads and single caseworkers for the entire life-cycle of the case rather than transferring cases between caseloads as the case moves between case modes.

Each county is able to adopt a structure which best suits their operation.

To keep the caseworker informed on all aspects of a case status, the system generates alerts online when an action is required or an action has been taken.

Alerts are designed to support federal and state guidelines and time frames in processing a IV-D cases by repeating caseworker notifications until the requirement is satisfied. Internal county procedures include a process to ensure that alerts are worked in a timely fashion.

Suggested Audit Procedures – Compliance (Substantive Tests) **WP Ref.**

- Per OMB Compliance Supplement:**
- a. Review the agency's interstate central registry and ascertain the procedures for receiving, distributing, and responding to all incoming interstate claim cases.
 - b. Test a sample of initiating interstate cases to verify that required information was provided to the responding State within required time frames.
 - c. Test a sample of responding interstate cases to verify that required child support enforcement services were provided within the time frames for providing information.

Per ODJFS:

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N. Special Tests and Provisions (4 of 4) – Provision of Child Support Services for Interstate Cases – State Program

- 1) Was Interstate an issue during the review period?
 - a. If yes, go to either question 2 for initiating cases or 3 for responding cases.
- 2) Was the initiating interstate time frame met of 10 business days to provide new information to the other state?
 - a. Review case notes to determine last required action. If information was obtained and provided to the other state within 10 business days then the case meets the requirement.
 - b. If the time frame was not met, then the case does not meet the requirement.
- 3) Was responding interstate time frame of 10 business days to provide new information to the other state met?
 - a. Review case notes to determine last required action. If information was obtained and provided to the other state within 10 business days then the case meets the requirement.
 - b. If the time frame was not met, then the case does not meet the requirement

Audit Implications (adequacy of the system and controls, and the effect on sample size, reportable conditions / material weaknesses, and management letter comments)

- A. Results of Test of Controls: (including material weaknesses, reportable conditions and management letter items)**
- B. Assessment of Control Risk:**
- C. Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
- D. Results of Compliance (Substantive Tests) Tests:**
- E. Questioned Costs: Actual _____ Projected _____**

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