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C. Monitoring Assessment Tool - Cost Allocation

Background:

Administrative costs of county family services agencies are generally charged to federal programs through indirect cost allocation pools as part of the Statewide Cost Allocation Plan approved by the U.S. Department of Health and Human Services (HHS). The current cost pool structure used in the county operations finance system includes the income maintenance cost pool, the social service cost pool, the child support cost pool and the shared cost pool. Definitions and clarification of cost structures associated with these cost pools are found in the Ohio Administrative Code section 5101:9-1-04.

Expenditures reported through cost pools represent operating costs of the local agency and include costs of direct casework activity to be measured and allocated to the various federal funding sources and programs administered by the agency through the Random Moment Sample (RMS) time study. Only in limited instances may costs of program staff be charged directly to federal programs, rather than through the RMS system.

With limited exceptions, all single purpose and-multi purpose contracts with service providers must be charged directly to benefiting program funding sources. Subject to these limited exceptions, they may not be included in cost pool expenditures allocated based on time study results.

Agency operating costs are distributed by means of the RMS system. This system captures the programs or activities that staff are engaged in at various times throughout the day. Programs within the cost pools will receive a proportional share of the indirect costs based upon the RMS responses taken as a whole throughout each calendar quarter. Staff must be properly assigned to a cost pool and only certain staff may complete RMS forms. Administrative staff without an active caseload may not complete RMS forms. The RMS reporting quarter offsets the calendar quarter by one month, as follows:

- 1st Quarter: December, January, February
- 2nd Quarter: March, April, May
- 3rd Quarter: June, July, August
- 4th Quarter: September, October, November

Rental costs for real property are allocable as direct costs to benefiting programs if they are readily assignable to specific programs. If they are not so assignable, they are charged to the appropriate cost pool. Similarly, depreciation costs for equipment are direct costs to benefiting programs if they are readily assignable to specific programs, but are otherwise charged to the appropriate cost pool.

Review Objectives:

- To determine whether contract and purchased services costs are charged indirectly to the appropriate cost pool or directly to the appropriate benefiting programs in accordance with federal and state statute, federal regulations and state rules;
- To determine whether the costs of buildings are charged indirectly to the appropriate cost pool or directly to the appropriate benefiting programs in accordance with federal and state statute, federal regulations and state rules;
- To determine whether equipment costs are charged indirectly to the appropriate cost pool or directly to the appropriate benefiting programs in accordance with federal and

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state statute, federal regulations and state rules;

- To determine whether administrative costs are charged to the appropriate cost pool in accordance with the approved RMS system.

Procedures:

	Program Step	Date/ Initials	Work Paper Reference
1	<p>Building Costs –</p> <ul style="list-style-type: none"> • Select one office lease payment for a building and determine if there is a signed lease. (Note: Some counties will have an ODHS 2095 rather than a lease; this has been deemed an acceptable replacement. If other documentation is presented as purporting to document the arrangements for use of county owned building space, consult with your supervisor.) • Determine whether the amount paid conforms to the provisions of the lease agreement in place for the period. • If the agency leases this office space from the county commissioners, ensure that rental costs claimed to federal programs do not exceed the amount which could be claimed if the agency owned the property (i.e., depreciation, interest, maintenance and insurance costs). <div style="border: 1px solid black; padding: 2px; margin: 5px 0;"> <p>2 CFR 225 Appendix B Section 37. c. Specific reference on page 17 of the PDF document.</p> </div> <ul style="list-style-type: none"> • Determine whether costs paid are claimed through the appropriate cost pool, or if applicable, the correct program in accordance with 2 CFR 225 and the Statewide Cost Allocation Plan. <div style="border: 1px solid black; padding: 2px; margin: 5px 0;"> <p>2 CFR 225 Appendix A Section C.3. Specific reference on page 4 of the PDF document.</p> </div> <ul style="list-style-type: none"> • Ensure that the above costs tested are not also included in the Agencies Countywide Cost Allocation Plan tested in Step 3. 		

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2	<p>Cost Pool Scan - Judgmentally select expenditures charged to each cost pool which are not buildings, or equipment that appear to be unusual or potential unallowable. Confirm the following:</p> <ul style="list-style-type: none"> • Is the cost allowable under state and federal regulations? (i.e. 2 CFR 225 or OAC's) • Is the cost appropriate to a cost pool or should it be directly charge to a grant? This testing is designed to determine the proper allocation of the cost and more information on allocation of federal costs can be found at 2 CFR 225 Appendix A Section C (3) and Section E • Is the cost appropriate to the particular cost pool assigned? (e.g. Cost is charged to the Shared cost pool but only benefits services in the SS cost pool) <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>2 CFR 225 Appendix A Section C.3. Specific reference on page 4 of the PDF document.</p> </div> <ul style="list-style-type: none"> • In your scan be sure to select one contract with costs charged to each cost pool (if applicable) and review the contract to determine whether the costs of the contract are allowable costs to that cost pool. This could mean that you select 4 contracts (i.e. one from shared, one from IM, one from SS, and one from the CSEA pool) <p><i>Discuss your selection(s) of the above items with the supervisor prior to beginning test work.</i></p>		
3	<p>Countywide Cost Allocation Plans (CAP) –</p> <ul style="list-style-type: none"> • Select one CAP payment made for each agency allocation (PA- Shared, PA-IM, PA-SS, CSEA and PCSA) and ensure amounts paid are in agreement with the applicable CAP for that period. • Obtain the CAP related to the payment selected above. (Note: This may be obtained in some cases from the public Q drive Q:\GLOBAL\PRIVATE\Oea\BOA_PUBLIC\County Cost Allocation Plans) • Determine the types of costs allocated to the agency in the CAP. • Ensure the costs in the step above are not also directly paid by the agency either directly to a grant or in a cost pool. <p>Note: Auditor should, in particular, watch for costs related to A-133 audit services performed by the Auditor of State (AOS) or a private firm. If costs are included in the CAP or directly paid by the agency, review the allocation methodology to ensure the reasonableness. Please be sure to consult with your supervisor.</p>		

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4	<p><u>Random Moment Sample (RMS) (Web-based RMS)</u></p> <ul style="list-style-type: none"> • For each RMS pool (i.e. IM, SS, and CSEA), select at least 2 individuals (be alert to unusual positions included or positions potentially misclassified) and obtain the position description for these individuals for the RMS quarter tested. • Review the selected individuals job titles and position description to determine the following: <ul style="list-style-type: none"> ○ Should this individual participate in the RMS process? ○ Is this individual in the correct RMS Pool? (e.g. IM-RMS, SS-RMS, or CSEA- RMS) <p>If the statuses of the selected individuals are unclear, inquire with the agency for any further clarification/documentation to support their RMS assignment. For example, if a secretary or administrative assistant is included in the RMS time study their position description may not appear to include case specific activities. If the agency then provides an explanation that the secretary or administrative assistant performs eligibility redeterminations, then agency may have a documentation issue as the position description is not reflective of actual activities.</p> <div style="border: 1px solid black; padding: 2px;"> <p>OAC 5101:9-7-20 (D) Categories of positions generally excluded from the time study</p> </div> <p>Obtain the Response Report-Sample Detail showing all the RMS observations for the most recent quarter for each of the RMS pools (IM, SS and CSEA). (Export this report into excel) From this report, complete the following:</p> <ul style="list-style-type: none"> • Scan the observations on this report coded to 997 and 999 (this can easily be achieved by filtering the excel spreadsheet). Determine by utilizing the notes portion of the information, if the hit was appropriate or if it should have been coded to another code. Determine if there is an underlying control issue present. • Select ten (10) observations from each of the RMS pools. For IM-RMS, ensure that the sample includes three Food Assistance Program observations. From the observations selected, determine the following: <ul style="list-style-type: none"> ○ Documentation exists to support the referenced program and activity ○ Changes made to the RMS information were made by the employee and are supported (a history report for each observation can be generated when viewing the observation). Employee's only have access to make changes to forms in the first 24 hours after the RMS moment. After that all changes must be made by the RMS Coordinator. <u>All</u> changes should be supported. ○ Ensure the RMS Coordinator has validated (or invalidated) the RMS response within 48 business hours after the observation moment. 		
5	<p>RMS Scanning procedures-</p> <ul style="list-style-type: none"> • Obtain the Response Report-No Response report for each RMS pool. 		

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	<p>(Export this report into excel)</p> <ul style="list-style-type: none"> ○ From this report, determine if the number of No Response observations is reasonable (less than 5% of total observations). If the amount exceeds 5% inquire with agency management to determine if there is a systemic problem or internal control weakness. <ul style="list-style-type: none"> ● Obtain the Response Report by Supervisor showing the distribution of time of completion for RMS. (Generate this report into the web format) <ul style="list-style-type: none"> ○ From this report, review to determine if the agency has a large percentage of RMS observations being completed during the greater than 18 hour period. This could be indicative of a control weakness for untimely completion. 		
6	<p>RMS Analytic-</p> <ul style="list-style-type: none"> ● Generate the Response Report by Activity (RR410) for the most recent completed quarter and the preceding completed web RMS quarter for each cost pools. (Generate this report into the web format and this report is the equivalent to the Tabulation Reports from the old system) <ul style="list-style-type: none"> ○ Prepare a quarter to quarter analytic detailing the total RMS hits by program code for each quarter for the IM and CSEA. For the SS-RMS prepare this analytic by activity code. These analytics should compare the preceding completed Web RMS quarter to the most recently completed Web RMS quarter. This analytic should show the absolute change in hits and the percentage of change. ○ From your analytic look for any unusual fluctuations by Program Code (for IM and CSEA) and by Activity Code (for SS), such as large increases or decreases to a program/activity or excessive hits to common to several or invalid responses, etc. Inquire with agency personnel for explanations of significant variances (i.e. + or - 30%). 		
7	<p>Personnel Costs - Inquire as to any personnel costs which have been charged directly to a federal program.</p> <p>If any personnel costs have been charged directly to a federal program, review the costs to determine:</p> <ul style="list-style-type: none"> ● Whether such costs are properly allocable as direct costs to the program under 2 CFR 225 Appendix A Section E ; and ● Whether such costs are properly allocable as direct costs to the program under the state cost allocation plan. This can be located at http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm and this plan is revised on a quarterly basis. (See note below) 		

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	<p>Program allocation rules will have to be tested on a case by case basis. As items are identified, we will have to look up factors which will affect allowability and allocability.</p> <p>Note: Currently only the following personnel costs that can be direct charged. However, this can change on a quarterly basis and you should review the ODJFS CAP in effect for the period you are testing (i.e. Section V B-1):</p> <ol style="list-style-type: none"> 1. Direct out-stationed eligibility workers represent costs related to the salaries, compensation and travel costs for IM workers out-stationed at local hospitals for the purpose of determining Medicaid eligibility. These workers are dedicated to the Medicaid program and do not participate in the IM-RMS Time Study. Subsequently, their salaries and related operational costs are not included in the IM Combined Cost Pool. ODJFS passes through federal funds to the participating counties. Local funds are issued from hospitals to the CDJFS to cover the non-federal share of salaries, and compensation and operational costs related to these workers. The eligibility worker prepares a semi-annual effort certification form maintained at the county level and is approved by the employee's supervisor. 2. Direct Charge Summer Youth represents cost of salaries for summer youth employed by CDJFS or WDA. The employee completes a semi-annual effort certification form maintained at the local agency and is approved by the employee's supervisor. 		
8	<p>Personnel Costs-</p> <ul style="list-style-type: none"> • Obtain a list of all employees gross pay by financial statement code from the agency for one pay period in the most recently completed quarter. This listing should include both the employee's names and job titles. <ul style="list-style-type: none"> • Reconcile total gross pay to totals in the financial statements. • Scan the employee list by financial statement code for unusual placement. (i.e. An employee in shared cost pool who works with only IM programs, or employees who are direct charged to a specific program.) If necessary, obtain the position description for the identified individuals. Determine whether these individuals are properly recorded in the financial statements. • If the status is unclear, inquire with the agency personnel for further explanation or documentation to support your conclusion. 		
9	<p>Conclusion:</p> <p>Consider whether there are any instances of non compliance or a systemic problem due to a lack of adequate internal control exists with regards to the allocation of direct costs to federal programs. If so, make an appropriate notation as an Issue in Auto Audit.</p> <p>Prepare a segment summary to reflect work completed and results of your testing. (Note: An example index/segment summary can be obtained from the Auto Audit Library.)</p>		

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