



Mary Taylor, CPA

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:	Medicaid Cluster (Title XIX)
CFDA#:	#93.775 / 93.777 / 93.778

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

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

Compliance Requirements Not Applicable ²	
D. Davis-Bacon Act	J. Program Income (N/A per ODJFS)
E. Eligibility (Not tested at the County level)	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

Medical Assistance Program

The objective of the Medical Assistance Program (Medicaid or Title XIX of the Social Security Act, as amended, (42 USC 1396 *et seq.*)) is to provide payments for medical assistance to low-income persons who are age 65 or over, blind, disabled, or members of families with dependent children or qualified pregnant women or children.

State Medicaid Fraud Control Units ([AOS Note](#): This is not tested at the local level.)

The mission of the State Medicaid Fraud Control Units (MFCUs) is to investigate and prosecute violations of all applicable State laws pertaining to fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of providers of medical assistance under the State Medicaid plan. The State MFCUs also review complaints alleging abuse or neglect of patients in health care facilities receiving payments under the State Medicaid plan, and may review complaints of misappropriation of patients' private funds in such facilities. Federal requirements for the establishment and continued operations of the units are contained in 42 USC 1396b(a)(6), 1396b(b)(3), and 1396b(q); and 42 CFR part 1007. A key requirement of the governing regulations is that a unit must be a single identifiable entity of State government.

The HHS Office of the Inspector General (OIG) is the agency responsible for the Federal oversight of the State MFCUs. In order to receive the Federal grant funds necessary to sustain their operations, the units must submit an application for Federal assistance to the OIG on an annual basis.

State Survey and Certification of Health Care Providers and Suppliers ([AOS Note](#): This is not tested at the local level.)

The objective of the State Survey and Certification of Health Care Providers and Suppliers program is to determine whether the providers and suppliers of health care services under the Medicaid program are in compliance with regulatory health and safety standards and conditions of participation. This program is administered in a manner similar to Medicaid and includes an approved State plan that addresses Federal requirements.

Even though the State MFCUs and State Survey and Certification of Health Care Providers and Suppliers have substantially less Federal expenditures than the Medicaid Assistance Program, they are clustered with Medicaid because these programs provide significant controls over the expenditures of Medicaid funds. It is unlikely that the expenditures for these two programs would be material to the Medicaid cluster; however, noncompliance with the requirements to administer these controls may be material.

II. Program Procedures

Although the below information may not impact counties directly, to effectively audit these program auditors should understand all aspects of each program. This information is directly from the OMB Compliance Supplement and gives the auditors information on how Medicaid operates. There are a few AOS notes included in this section for auditors information.

The following paragraphs are intended to provide a high-level, overall description of how Medicaid generally operates. It is not practical to provide a complete description of program procedures because Medicaid operates under both Federal and State laws and regulations and States are afforded flexibility in program administration. Accordingly, the following paragraphs are not intended to be used in lieu of or as a substitute for the Federal and State laws and regulations applicable to this program.

Administration

The U.S. Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS) administers the Medicaid program in cooperation with State governments. The Medicaid program is jointly financed by the Federal and State governments and administered by the States. For purposes of this program, the term "State" includes the 50 States, the District of Columbia, and five U.S. territories: Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. Medicaid operates as a vendor payment program, with States paying providers of medical services directly. Participating providers must accept the Medicaid reimbursement level as

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

payment in full. Within broad Federal rules, each State decides eligible groups, types and range of services, payment levels for services, and administrative and operating procedures.

State Plans

States administer the Medicaid program under a State plan approved by CMS. The Medicaid State plan is a comprehensive written statement submitted by the State Medicaid agency describing the nature and scope of its Medicaid program. A State plan for Medicaid consists of preprinted material that covers the basic requirements, and individualized content that reflects the characteristics of each particular State's program. The State plan is referenced to the applicable Federal regulation for each requirement and will also contain references to applicable State regulations.

The State plan contains all information necessary for CMS to determine whether the State plan can be approved to serve as a basis for determining the level of Federal financial participation in the State program. The State plan must specify a single State agency (hereinafter referred to as the "State Medicaid agency") established or designated to administer or supervise the administration of the State plan. The State plan must also include a certification by the State Attorney General that cites the legal authority for the State Medicaid agency to determine eligibility.

The State plan also specifies the criteria for determining the validity of payments disbursed under the Medicaid program. This encompasses the system the State will use to ensure that payments are disbursed only to eligible providers for appropriately priced services that are covered by the Medicaid program and provided to eligible beneficiaries. Payments must also be based on claims that are adequately supported by medical records, and payments must not be duplicated.

A State plan or plan amendment will be considered approved unless CMS sends the State written notice of disapproval or a request for additional information within 90 days after receipt of the State plan or plan amendment. Copies of the State plan are available from the State Medicaid agency.

Waivers

The State Medicaid agency may apply for a waiver of Federal requirements. Waivers are intended to provide the flexibility needed to enable States to try new or different approaches to the efficient and cost-effective delivery of health care services, or to adapt their programs to the special needs of particular areas or groups of beneficiaries. Waivers allow exceptions to State plan requirements and permit a State to implement innovative programs or activities on a time-limited basis, and are subject to specific safeguards for the protection of beneficiaries and the program.

Actions that States may take if waivers are obtained include: (1) implement a primary care case-management system or a specialty physician system; (2) designate an entity to act as a central broker in assisting Medicaid beneficiaries to choose among competing health care plans; (3) share with beneficiaries (through the provision of additional services) cost-savings made possible through the beneficiaries' use of more cost effective medical care; (4) limit beneficiaries' choice of providers to providers that fully meet reimbursement, quality, and utilization standards, which are established under the State plan and are consistent with access, quality, and efficient and economical furnishing of care; (5) include as medical assistance, under its State plan, home and community-based services furnished to beneficiaries who would otherwise need inpatient care that is furnished in a hospital or nursing facility, and is reimbursable under the State plan; and (6) impose a deduction, cost-sharing or similar charge of up to twice the nominal charge established under the State plan for outpatient services for certain non-emergency services (except that, pursuant to the Deficit Reduction Act of 2005, a State may, at its option and without a waiver, charge higher co-payments for non-emergency services provided in an emergency room). A State may also obtain a waiver of statutory requirements to provide an array of home and community-based services, which may permit an individual to avoid institutionalization (42 CFR part 441 subpart G). Depending on the type of requirement being waived, a waiver may be effective for initial periods ranging from two to five years, with varying renewal periods. Copies of waivers are available from the State Medicaid agency.

Payments to States

Once CMS has approved a State plan and waivers, it makes quarterly grant awards to the State to cover the Federal share of Medicaid expenditures for services, training, and administration. The amount of the quarterly grant is determined on the basis of information submitted by the State Medicaid agency (in quarterly estimate and quarterly expenditure reporting). The grant award authorizes the State to draw Federal funds as needed to pay the Federal financial participation portion of qualified Medicaid expenditures. The HHS Payment Management System, Division of Payment Management (PMS-DPM) in Rockville, Maryland, disburses Federal funds to States including funding under Medicaid. Currently, all States use a system developed by HHS, called SMARTLINK, to request funds on an as-

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

needed basis. States may use one of two payment mechanisms which are linked to SMARTLINK: (1) wire transfers through the Automated Clearinghouse in conjunction with the Federal Reserve Bank, which are settled the day after the request date, or (2) FEDWIRE transfers through the Department of the Treasury, which is a same-day payment mechanism. The payment method is selected by the State and approved by the Department of the Treasury and HHS before payments are made through either mechanism. States report cash activity to PMS-DPM with a quarterly Cash Transactions Report (PSC-272).

State Expenditure Reporting

Thirty days after the end of the quarter, States electronically submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. The CMS-64 presents expenditures and recoveries and other items that reduce expenditures for the quarter and prior period expenditures. The amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed. States use the Medicaid Budget and Expenditure System to electronically submit the CMS-64 directly to CMS.

Eligibility (AOS Note: This is not tested at the local level.)

Eligibility for Medicaid is based on categorical (e.g., families and children, aged, blind, and disabled) and financial (e.g., income/resources) status. The States must provide services to mandatory categorically needy and other required special groups. States may provide coverage to members of optional groups and medically needy individuals (individuals who are eligible for Medicaid after deducting medical expenditures from their income). Eligibility criteria will be specified in the individual State plan.

Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the cash welfare program known as Aid for Dependent Children (AFDC) was repealed and replaced with block grants to States known as Temporary Assistance for Needy Families (TANF). Under Medicaid, children and parents who received AFDC were automatically enrolled in Medicaid. However, Medicaid for children and parents who would have met the State's old AFDC income and asset standards in place on July 16, 1996, has been preserved whether or not these individuals are eligible for the new TANF system (Pub. L. No. 104-193).

States must provide limited Medicaid coverage for "qualified Medicare beneficiaries." These are aged and disabled persons who are receiving Medicare, whose income is below 100 percent of the Federal poverty level, and whose resources do not exceed twice the allowable amount under SSI (42 CFR section 407.40).

The State plan will specify if determinations of eligibility are made by agencies other than the State Medicaid agency and will define the relationships and respective responsibilities of the State Medicaid agency and the other agencies. States are required to have (1) documentation of qualified alien status if the applicant/recipient is not a U.S. citizen, (2) facts in the case record to support the agency's eligibility determination, and (3) a written application on a form prescribed by the agency and signed under a penalty of perjury. The State must require a written application signed under penalty of perjury and include in each applicant's case record facts to support the agency's decision on his/her application. The State must provide notice of its decision concerning eligibility and provide timely and adequate notice of the basis for discontinuing assistance. In cases of persons who are not U.S. citizens, the State must obtain documentation of qualified alien status (42 CFR sections 435.907, 435.912, and 435.913; 42 USC 1320b-7; Section 1137 of the Social Security Act).

Services (AOS Note: Medicaid benefits will not be tested at the local level.)

Medicaid expenditures include medical assistance payments for eligible recipients for such services as hospitalization, prescription drugs, nursing home stays, outpatient hospital care, and physicians' services, and expenditures for administration and training. In order for a medical assistance payment to be considered valid, it must comply with the requirements of Title XIX, as amended, (42 USC 1396 *et seq.*) and implementing Federal regulations. Determinations of payment validity are made by individual States in accordance with approved State plans under broad Federal guidelines.

Some States have managed care arrangements under which the State enters into a contract with an entity, such as an insurance company, to arrange for medical services to be available for beneficiaries. The State pays a fixed rate per person (capitation rate) without regard to the actual medical services utilized by each beneficiary.

Medicaid expenditures also include administration and training, the State Survey and Certification Program, and State Medicaid Fraud Control Units.

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

Control Systems ([AOS Note](#): This is not tested at the local level.)

Utilization Control and Program Integrity

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including those provided by long-term care institutions. In addition, the State must have: (1) methods of criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials.

These requirements may be met by the State Medicaid agency assuming direct responsibility for assuring the requirements or by contracting with a quality improvement organization (QIO) (formerly known as peer review organization (PRO)) to perform such reviews. The reviewer must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services.

The State Medicaid agency must have procedures for the ongoing post-payment review, on a sample basis, for the necessity, quality, and timeliness of Medicaid services. The State Medicaid agency may conduct this review directly or may contract with a QIO.

Suspected fraud identified by utilization control and program integrity should be referred to the State Medicaid Fraud Control Units.

Inpatient Hospital and Long-Term Care Facility Audits

States are required to establish as part of the State plan standards and methodology for reimbursing inpatient hospital and long-term care facilities based on payment rates that represent the cost to efficiently and economically operate such facilities and provide Medicaid services. The State Medicaid agency must provide for the filing of uniform cost reports by each participating provider. These cost reports are used by the State Medicaid agency to aid in the establishment of payment rates. The State Medicaid agency must provide for periodic audits of the financial and statistical records of the participating providers. Such audits could include desk audits of cost reports in addition to field audits. These audits are an important control for the State Medicaid agency in ensuring that established payment rates are proper.

ADP Risk Analyses and System Security Reviews

The Medicaid program is highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment of Medicaid benefits. States are required to establish a security plan for ADP systems that include policies and procedures to address: (1) physical security of ADP resources; (2) equipment security to protect equipment from theft and unauthorized use; (3) software and data security; (4) telecommunications security; (5) personnel security; (6) contingency plans to meet critical processing needs in the event of short- or long-term interruption of service; (7) emergency preparedness; and (8) designation of an agency ADP security manager.

State agencies must establish and maintain a program for conducting periodic risk analyses to ensure appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. On a biennial basis State agencies shall review the ADP system security of installations involved in the administration of HHS programs. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.

Medicaid Management Information System (MMIS)

The MMIS is the mechanized Medicaid benefit claims processing and information retrieval system that States are required to have, unless this requirement is waived by the Secretary of HHS. HHS provides general systems guidelines (42 CFR sections 433.110 through 433.131) but it does not provide detailed system requirements or specifications for States to use in the development of MMIS systems. As a result, MMIS systems will vary from State to State. The system may be maintained and operated by the State or a contractor.

The MMIS is normally used to process payments for most medical assistance services and normally includes edits and controls that identify unusual items for follow up by the utilization control and program integrity unit. However, the State may use systems other than MMIS to process medical assistance payments. In many cases the operation of the MMIS is contracted out to a private contractor. The State plan will describe the administration of each State's claims-processing system.

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

Generally, the MMIS does not process claims from State agencies (e.g., State-operated intermediate care facility for the mentally retarded (ICF/MR)) and certain selected types of claims. The claims payments that are not processed through MMIS may be material to the Medicaid program.

AOS note: Medicaid Information Technology System (MITS) will eventually replace MMIS. MITS will automate many processes that are currently performed manually. The implementation date for MITS has not yet been finalized. Currently the Counties use MMIS for troubleshooting and for looking up information.

Federal Oversight and Compliance Mechanisms

CMS oversees State operations through its organization consisting of a headquarters and 10 regional offices. CMS program oversight includes budget review, reviews of financial and program reports, and on-site reviews, which are normally targeted to cover a specific area of concern. CMS conveys areas of national and local concerns to the States through the regions. Technical assistance is used extensively to promote improvements in State operation of the program but enforcement mechanisms are available. CMS considers the single audit as an important internal control in its monitoring of States.

Federal program oversight, because of its targeted nature, should not be used as a substitute for audit evidence gained through transaction testing.

Medicaid Program Payment Error Rate Measurement

On October 5, 2005, an interim final rule, with an opportunity for comment, was published in the *Federal Register* setting forth the State requirements to provide information to CMS for the purpose of estimating improper payments in the Medicaid program, as required under the Improper Payments Information Act (IPIA) of 2002. The effective date of these regulations is November 4, 2005.

III. Source of Governing Requirements

The auditor is expected to use the applicable laws and regulations (including the applicable State-approved plan) when auditing this program. The Federal law that authorizes these programs is Title XIX of the Social Security Act (Title XIX), enacted in 1965 and subsequently amended (42 USC 1396 *et seq.*).

The Federal regulations applicable to the Medicaid program are found in 42 CFR parts 430 through 456, 1002, and 1007.

Awards under the Medical Assistance Program (CFDA 93.778) are no longer excluded from coverage under the HHS implementation of the A-102 Common Rule, 45 CFR part 92 (*Federal Register*, September 8, 2003, 68 FR 52843-52844). This change is effective for any grant award under this program made after issuance of the initial awards for the second quarter of Federal fiscal year (FY) 2004. This program also is subject to the requirements of 45 CFR part 95 and the cost principles under Office of Management and Budget Circular A-87 (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>).

Availability of Other Program Information

The HHS OIG issues fraud alerts, some of which relate to the Medicaid program. These alerts are available on the Internet from the HHS OIG home page, Special Fraud Alerts section (<http://oig.hhs.gov/fraud/fraudalerts.html>).

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)**
- **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.

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

IV. Additional Information

Note: In accordance with OMB Circular A-133, §____.525(c)(2), when the auditor is using the risk-based approach for determining major programs, the auditor should consider that the Department of Health and Human Services (HHS) has identified the Medicaid Assistance Program as a program of higher risk.

Medicaid is the largest dollar Federal grant program and under OMB budgetary guidance and Pub. L. No. 107-300, HHS is required to provide an estimate of improper payments for Medicaid. Improper payments mean any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible recipient, and any payment for an ineligible service, any duplicate payment, payments for services not received, and any payments that does not account for credit for applicable discounts.

While not precluding an auditor from determining that the Medicaid Cluster qualifies as a low-risk program (e.g., because prior audits have shown strong internal controls and compliance with Medicaid requirements), the above should be considered as part of the risk assessment process.

(Source: 2009 OMB Compliance Supplement)

V. General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be:

- 1) covered by the State plan and waivers;
- 2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis);
- 3) properly coded; and
- 4) paid at the rate allowed by the State plan.

Additionally, Medicaid costs must be net of applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Due to the complexity of Medicaid program operations, it is unlikely the auditor will be able to support an opinion that Medicaid expenditures are in compliance with applicable laws and regulations (e.g., are allowable under the State plan) without relying upon the systems and internal controls. Examples of complexities include:

- Dependence upon large and complex ADP systems to process the large volume of Medicaid transactions.
- Medical services are provided directly to an eligible beneficiary, normally without prior approval by the State.
- Medical service providers normally determine the scope and medical necessity of the services.
- Notice to the State that service is rendered is after-the-fact when a bill is sent.
- Payments systems do not include a review of original detailed documentation supporting the claim prior to payment.
- Complex billing charge structures and payment rates for medical services, including significance of proper coding of services (e.g., billing by diagnosis related groups (DRG)).
- Different types of Medicaid payments (e.g., inpatient hospital, physicians, prescription drugs and drug rebates).

Medicaid has required control systems that should aid the auditor in obtaining sufficient audit evidence for Medicaid expenditures. These control systems are discussed in the preceding Program Procedures under Control Systems and are: (1) utilization control and program integrity; (2) inpatient hospital and long term care facility audits; (3) ADP risk analyses and system security reviews (e.g., of the MMIS); and (4) the MMIS normally includes edits and controls that

identify unusual items for follow up by the utilization control and program integrity function. The first three generally are performed by specialists retained by the State Medicaid agency. The following table indicates the major types of Medicaid payments to which these controls will likely relate:

Type of Medicaid Payment	1	2	3	4
Inpatient Hospital	X	X	X	X
Physicians (including dental)	X		X	X
Prescription Drugs (net of rebates)	X		X	X
Institutional Long-Term Care	X	X	X	X

Each of the above Medicaid payment types is tested for compliance with applicable laws and regulations under either III.A, "Activities Allowed or Unallowed;" III.B, "Allowable Costs/Cost Principles;" or III.E.1, "Eligibility - Eligibility for Individuals." Based upon the assessed level of control risk, the auditor should design appropriate tests of the allowability of Medicaid payments. Testing likely will include tests of medical records, in which case the auditor should consider the need for assistance of specialists. The auditor may consider using the same specialists used by the State.

The auditor should consider the following in planning and performing tests of controls and compliance:

1. III.N, "Special Tests and Provisions" includes required internal controls, which are compliance requirements (i.e., controls (1), (2), and (3) above), and audit objectives and procedures for each. The audit procedures will entail tests of work performed by the State Medicaid agency.
2. Tests of compliance with laws and regulations relating to III.A, B, and E below, and the compliance requirements enumerated in III.N should be coordinated.

(Source: 2009 OMB Compliance Supplement)

INTRODUCTION

PART II – OTHER PROGRAM INFORMATION

I. Program overview:

Medicaid Cluster

This cluster consists of three individual programs, including Medicaid, State Survey and Certification, and Medicaid Fraud Control (See Program Objectives Section). The latter two of the three programs are administered by the Department of Health and the Attorney General Office, respectively, and selected testing will be performed by those individual Agency audit teams and forwarded to the State level JFS audit team for inclusion in the working papers. The function of the Medicaid program is shared between the County and State levels within JFS, as with all of the other programs.

Counties accept applications, enter data into CRIS-E, and issue Medical cards to recipients determined eligible by CRIS-E based on the application information entered. Individual Medicaid recipients go to Medical Service providers (doctors, hospitals, pharmacies, nursing homes, etc.) who also must meet certain criteria to be eligible to provide services for Medicaid. Eligible Medicaid service providers submit invoices to the State level where they are interfaced with the Medicaid Management Information System (MMIS). MMIS verifies patients' eligibility through uploads of information from CRIS-E and determines allowability of the service provided. All Medicaid payments are paid at the State level; therefore, the audit sample for tests of expenditures will be determined and tested by the State level audit team. The same audit sample for expenditures will be provided to applicable County audit team(s) for tests of eligibility (controls over input into CRIS-E only) for the State level audit of eligibility. Substantive tests of Eligibility (recalculations of determinations made by CRIS-E), will be performed by ODJFS/Medicaid Eligibility Quality Control (MEQC) Unit under the direction of the State level audit team.

County Structure

Each County is segregated into the following three areas:

- County Department of Job and Family Services (CDJFS) - Administers the Food Stamp Cluster, TANF, Child Care Cluster, Social Services Block Grant, SCHIP, and Medicaid (i.e. all Public Assistance programs).
- Public Children Services Agency (PCSA) - Administers the Foster Care and Adoption Assistance programs.
- Child Support Enforcement Agency (CSEA) - Administers the Child Support Enforcement program.

Note: In some Counties, all three areas are combined (Combined Agencies), whereas in other Counties, there may be two or three separate agencies.

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:

- Counties cannot adopt policies to broaden or restrict the Medicaid program, including eligibility of recipients or services provided. Counties must follow the State Plan. The State Plan is available on the ODJFS website. The significant elements (requirements) of that plan have been incorporated within this FACCR.
- ODJFS Office of Fiscal and Monitoring Services performs ODJFS program County compliance reviews. 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

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

10/96

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

“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.**

- The Medicaid cluster includes 93.776 Hurricane Katrina Relief. Eligibility waivers were granted in Ohio; however, there are no ongoing waivers for 2009. All references to this program have been removed from this FACCR. If you find there are payments under this program, please contact the A&A Federal Program Coordinator.

This is a brief description of the Fiscal Process:

- The County JFS receives different types of Funding:
 1. Mandated Share - ORC requires the county commissioners to share in the cost of the certain programs (known as mandated share). County JFS receive a mandated share from the County Commissioners (see OAC section in Program Funding section below). Mandated share is calculated by ODJFS and ODJFS enters the amounts for each funding source as a budget into the CFIS (fiscal computer system – see Section VI below). ODJFS notifies the County Commissioners in May or June of their mandated share for the next calendar year so the Counties have time to budget accordingly. Counties are required to make an adjustment equal to 1/12 of the total mandated share when they submit their monthly expenditure reports. County JFS sends a drawdown request for their anticipated needs and then report their expenditures monthly to ODJFS. ODJFS quarterly reconciliation evaluates and adjusts for the differences. While some counties may not pay their mandated share to the County JFS monthly, the County JFS must deduct no less than 1/12th of the amount on their monthly reporting of expenditures to ODJFS. (For example, if the County’s mandated share is \$1,200, the County JFS would include \$100 or more on the monthly reporting of expenditures regardless when the county paid the \$1,200.)
 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.
 - 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 Medicaid 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 Medicaid 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.
 3. Income Maintenance (State Allocation) - County JFS also receives Income Maintenance (IM) monies. These are State monies County JFS can use to meet matching requirements or reimburse the county for administrative expenditures incurred in the administration of certain programs (See Section A of this document). IM amounts for each county are also entered into CFIS as budgets by ODJFS.
- In addition to their County JFS allocations, there are two opportunities for County JFS to release or receive monies: 1) They can swap funds with other counties, (this process must be approved by evidence of County Commissioners sign off) which goes through ODJFS to change the allocations in CFIS; or 2) In December or January they can apply for additional funds or to free up monies allocated to other grants. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties;

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

however, the statewide allocation does not change. ODJFS changes the allocation in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be the reason any such re-allocations in the system.

- 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 5101:9-7-03.2 may cover overages. There is a TANF ceiling excess process that is part of the closeout level, however, this process is at the discretion of the Director and is only considered if adequate funding is available. Again, ODJFS makes these changes in the CFIS system. While this does not require testing at the local level, auditors should be aware this may be a reason for any such re-allocations in the system.
- 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 2827 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 Medicaid, the Federal share is 50% so the County JFS would be reimbursed 50% from Federal share and 50% from State (IM) or they could use county funding for the 50% state/local match. Once they use all their IM allocation, they must use local funding for the 50% 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 program.

See also **OAC 5101:9-7-03, 5101:9-7-03.1 and 5101:9-7-03.2** 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 website)

The following will provide auditors with an overview of available services under Medicaid and other important information on the Medicaid program. Eligibility benefits are paid by the State so Eligibility and benefits will be audited by the State Region. Only direct and indirect expenditures, including NET (non-emergency transportation) benefits and EPSDT (non-NET contract) services will be reported on the County federal schedule and tested at the local level.

Medicaid Program Overview – April 2008

What is Medicaid?

Medicaid is a public health care program funded by the state and federal government. It provides necessary health care coverage to certain individuals with limited income. In Ohio, a person is entitled to Medicaid health care coverage for free or at a low-cost if they meet specific income and eligibility requirements. As an entitlement program, the state cannot limit the number of eligible persons enrolled in Medicaid or deny access to medically necessary services to control costs.

Who is covered by Medicaid?

Ohio Medicaid provides health care coverage to children, pregnant women, families, adults age 65 and older and people with disabilities. Some consumers may need to pay monthly premiums or co-pays for certain services. Covered groups include:

- **Families and Children:** In general, families, children (up to age 19) and pregnant women with limited incomes (see chart) are covered through Medicaid under Healthy Start or Healthy Families programs. Certain youths aging out of the foster care system at age 18 may continue receiving health care coverage until age 21 at no cost

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

to them. Families who participate in the Ohio Works First (OWF) cash assistance program are automatically covered by Medicaid. Families who leave OWF for employment are eligible for 6-12 months of coverage during that transitional period. ([AOS Note](#): OWF is part of the TANF program, CFDA# 93.558)

- **Aged, Blind and Disabled (ABD):** Ohioans age 65 and older and people with disabilities of any age may also qualify for Medicaid health coverage. To be eligible for Medicaid as an ABD consumer in 2008, an individual's gross countable monthly income must be less than \$556. They must also have resources (e.g., cash, savings, stocks etc.) of \$1500 or less. Couples applying for Medicaid must have gross monthly income of \$956 or less and resources of \$2250 or less.
- **Medicaid Spenddown program:** In some cases, consumers applying for ABD Medicaid meet eligibility requirements except their income is too high. These individuals can participate in the Medicaid Spenddown program. A spenddown is like a monthly deductible determined by the county caseworker. To qualify for coverage in a given month, consumers must submit proof of medical expenses that equal the spenddown amount. They can also choose to pay their spenddown directly to the county office. Once the spenddown is reached, the consumer is then eligible for Medicaid for the rest of the month.
- **Medicaid Buy-In for Workers with Disabilities (MBIWD):** MBIWD provides health care coverage to working Ohioans ages 16 to 64 who are disabled. MBIWD was created to encourage Ohioans with disabilities to work and still keep their health care coverage. To qualify for MBIWD, an individual's gross countable income must be no more than 250% of the federal poverty level (FPL), and they must also have resources that do not exceed \$10,000. Monthly premiums are required for those eligible for MBIWD with an annual gross income greater than 150% FPL.
- **Medicare Premium Assistance Program:** Low income Medicare beneficiaries can receive help from Medicaid with all or part of their Medicare cost sharing expense. This includes Medicare Part A and B premiums, co-insurance and deductibles. Different levels of assistance are available depending on income.
- **Breast and Cervical Cancer Project (BCCP):** Medicaid also provides health care coverage to eligible women screened through Ohio Department of Health's Breast and Cervical Cancer Project. To qualify for ODH's BCCP, women must have income below 200% FPL, be between the ages of 40-65 and uninsured. Once screened and diagnosed as having breast and/or cervical cancer, BCCP Medicaid may be available to women who are in need of treatment services. Women who are covered by BCCP Medicaid have access to the full Medicaid benefit package in addition to their cancer treatment.

AOS Note: ODJFS website also indicates additional programs offered as part of the Medicaid program (Alien Emergency Medical Assistance, Disability Medical Assistance, Home and Community-Based Services Waiver, HOME Choice, and Refugee Medical Assistance). They are not listed in the April 2008 ODJFS Program Overview. If your County has one of these programs and you need program information, a description of these programs can be obtained at <http://jfs.ohio.gov/OHP/consumers/OtherPrgms.stm>.

Eligibility and Application Process

Ohio county departments of job and family services determine eligibility for Medicaid programs with the exception of the BCCP program. Applications can be found at local county offices or online at www.jfs.ohio.gov/ohp/consumers/application.stm. Some programs require a face-to-face interview with a caseworker while other programs accept applications by mail or fax. The Medicaid Consumer Hotline is available to provide application assistance, answer general questions and can direct consumers to their local county office or a health care provider. The Consumer Hotline number is: 1-800-324-8680/TTY 1-800-292-3572.

How do consumers receive Medicaid services?

Once enrolled, consumers can get health care services from a Medicaid provider who accepts Medicaid as health insurance. This is generally called fee-for-service Medicaid. Consumers may be required to get their services from a Medicaid managed care plan. Both fee-for-service Medicaid and the managed care plans provide all medically necessary primary, specialty and emergency care, and preventive services.

Ohio Medicaid also provides both home health care and facility-based services for those consumers requiring long-term care services. Home care services allow consumers to remain in their homes and communities. Long-term care services are also available for consumers needing care in nursing homes and facilities for persons with mental retardation.

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

Alternatives to institutional care are offered through home and community-based services waivers (e.g., PASSPORT, Ohio Home Care).

What services does Medicaid cover?

Ohio's Medicaid program includes services mandated by the federal government as well as optional services Ohio has elected to provide. Some services are limited by dollar amount, the number of visits per year, or the setting in which they can be provided. With some exceptions, all medically necessary services are available to all Medicaid consumers.

Federally Mandated Services

- Ambulatory Surgery Centers
- Certified family nurse practitioner services
- Certified pediatric nurse practitioner services
- Family planning services & supplies
- Healthchek (EPSDT) program services (screening & treatment services to children younger than age 21)
- Home health services
- Inpatient hospital
- Lab & x-ray
- Medical & surgical vision services
- Medicare Premium Assistance
- Non-Emergency Transportation
- Nurse midwife services
- Nursing Facility care
- Outpatient services, including those provided by Rural Health Clinics & Federally
- Qualified Health Centers
- Physician services

Ohio's Optional Services

- Ambulance / ambulette
- Chiropractic services for children
- Community alcohol & drug addiction treatment
- Community mental health services
- Dental services
- Durable medical equipment & supplies
- Home and Community Based Services Waivers
- Hospice care
- Independent psychological services for children
- Intermediate Care Facility services for people with Mental Retardation (ICF-MR)
- Occupational therapy
- Physical therapy
- Podiatry
- Prescription drugs
- Private Duty Nursing
- Speech therapy
- Vision care, including eyeglasses

AOS Note: TurnAround Ohio began January 1, 2008. Information from ODJFS is as follows:

TurnAround Ohio: Medicaid Eligibility Expansions (April 2008)

Starting January 2008, Ohio Medicaid began implementing new initiatives geared toward covering more of Ohio's pregnant women, uninsured children, and workers with disabilities.

Pregnant Women (any age)

Because prenatal care is so important, Medicaid's Healthy Start program raised the income limit for pregnant women to qualify from 150% to 200% of the federal poverty level (FPL). Once eligible, pregnant women can receive care at no cost for up to 60 days after giving birth. Plus, babies born to Healthy Start mothers automatically qualify for Medicaid for their first year of life. This expansion took place on Jan. 1, 2008 and is expected to cover 1,700 additional pregnant women.

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

Coverage for Youths Aging Out of Foster Care

To support youths aging out of the foster care system, the Medicaid program now provides health care for former foster care youths until they reach age 21. Previously, medical benefits ceased at age 18. With this new initiative, case managers responsible for transitioning youths to community resources have been directed to continue their enrollment in the Medicaid program. Youths younger than age 21 who have already aged-out of the foster care system can contact their local county office to apply. This expansion began on Jan. 1, 2008 and is expected to provide coverage for approximately 900 youths.

Children's Coverage (up to age 19)

Ohio Medicaid will increase program income limits to cover more of Ohio's uninsured children. Depending on their income, some families may have to pay a monthly premium of \$40 per child (\$120 maximum per family) to qualify. It is estimated that an additional 11,000 children could be eligible for the program. Once federal approval is granted, an implementation date will be set for this expansion.

Medicaid Buy-In for Workers with Disabilities (MBIWD) Program

This new program allows people with disabilities to earn more money and still keep their Medicaid health benefits. Previously, minimal earnings from employment could disqualify people with disabilities from receiving Medicaid. This presented a challenge since these applicants typically have conditions that are not covered by private insurers.

This program enables workers with disabilities to contribute to Ohio's economy, keep more of their income, and maintain their health care benefits. Depending on income, monthly premiums may apply. This expansion began April 1, 2008. It is estimated that 5,800 individuals will enroll in MBIWD.

III. Program State Funding

OAC 5101:9-6-31 County share of public assistance expenditures and the mandated share budget. (eff. 8-21-08)

(A) Each board of county commissioners is required by section [5101.16](#) of the Revised Code to pay the county share of public assistance (PA) net expenditures, which are currently defined as: (1) Ohio works first (OWF) benefit payments and county administration of OWF; (2) Prevention, retention and contingency (PRC) and county administration of PRC; (3) Disability financial assistance (DFA) and disability medical assistance (DMA) benefits, and county administration of those programs; (4) County administration of food stamps (FS); and (5) County administration of medicaid.

(B) ODJFS shall certify to the county board of commissioners of each county the amount required in the following state fiscal year (SFY) to meet the county share of PA expenditures as determined in paragraph (C) of this rule. This amount is the "mandated share."

(AOS Note: Section C of 5151:9-6-31 was not include in the FACCR. It explains how the state determines the county's mandated share. Auditors should refer to this OAC if they need that information)

(4) ODJFS shall credit to a county the full amount of federal reimbursement ODJFS receives from the United States department of agriculture and department of health and human services for the county's expenditures for administration of FS and medicaid that ODJFS determines are allowable administrative expenditures.

(D) A county's share of PA expenditures determined under paragraph (C) of this rule may increase pursuant to sanction under section [5101.24](#) of the Revised Code.

(E) Each January, the board of county commissioners will appropriate, as required by section [5101.16](#) of the Revised Code, the amount certified by ODJFS as the SFY county share of PA expenditures and an additional five per cent of that amount for transfer to the PA fund. The appropriation of an extra five per cent will allow for any increase that may occur with the next SFY calculated share.

After a notice and certification from ODJFS for the next SFY is received, the board may re-appropriate, for any purpose the board determines necessary, the amount appropriated in January that exceeds the total of the amount certified by

ODJFS for the last six months of the current SFY and the first six months of the following SFY.

(F) ODJFS shall identify annual budgets and mandated share requirements for each local agency by calculating the county share based on the current PA expenditures reflected on the quarterly PA fund reconciliation report and cash benefit payments to participants. The computation of county share report must show the actual computation based on current SFY expenditures. ODJFS shall distribute the computation of county share report each quarter. The final SFY computation of county share report must indicate the county mandated share that will be assessed by ODJFS in the next SFY, up to a maximum ten per cent increase per SFY.

(G) The county family service agency shall enter the quarterly mandated share (MS) budgeted amount into the county financial system for each of the applicable programs as follows: (1) Medicaid as Medicaid MS; (2) FS as FS MS; (3) DFA as DFA MS; and (4) OWF/PRC as OWF/PRC MS.

(H) At the end of each month, the quarterly information consolidated plus (QuIC+) system must adjust the county reported expenditures and apply a portion of the Medicaid, FS, DA, and/or temporary assistance for needy families (TANF) expenditures to the mandated share budget.

(1) The total of the monthly expenditures applied to mandated share must be equal to one-twelfth of the annual mandated share budget. Adjustment detail must be available on the post allocation adjustment report within the QuIC+ system. (2) Post allocation adjustments to reported expenditures must result in an automatic adjustment to the applicable MS budgets. (3) In the event that the mandated share adjustments result in a negative balance on the expenditure report (reported expenditures are less than one-twelfth of the mandated share budget balance), the amount must be adjusted on the monthly over/under report and during quarterly and annual closeout reconcile.

(I) As required by section [5101.16](#) of the Revised Code, the board of county commissioners will transfer each month an amount equal to or greater than the sum of one-twelfth of the amount of funds certified as the mandated county share of PA expenditures for that SFY to the county PA fund. The one-twelfth mandated county share of PA expenditures amount is identified in the state reporting system. If the transfer schedule includes an amount other than one-twelfth per month, the aggregate amount transferred for the SFY must equal the county mandated share.

OAC 5101:9-6-05 Income maintenance (IM) control funding, non-emergency transportation (NET) funding, and pregnancy related services and transportation (PRST) funding. Effective: 10-24-08 [This rule designated an internal management rule.] **This rule was updated effective 7/20/09. See subsequent code section below.**

(A) The IM control funding is used by the county department of job and family services (CDJFS) to meet matching fund requirements or reimburses the county for administrative expenditures incurred in the administration of the disability assistance (DA) and disability medical assistance (DMA), food stamp (FS), and Medicaid programs. Each CDJFS will budget an IM control amount for each of the programs. The budgets will be established in the statewide reporting system and are identified as follows: (1) IM control DA and DMA; (2) IM control FS; and (3) IM control Medicaid.

(B) The funding for IM control budgets consists of one hundred per cent state funds, and is in addition to the county mandated share required by section [5101.16](#) of the Revised Code and detailed in rule 5101:9-6-31 of the Administrative Code.

Federal Medicaid administration funding and federal FS administration funding is passed through to the CDJFS at the federal financial participation (FFP) rate of fifty per cent. The income maintenance control allocation shall be used by the CDJFS as the nonfederal match for both FS and Medicaid administrative expenditures. In the event that a CDJFS's IM control FS or IM control Medicaid budget is exhausted prior to the end of the state fiscal year (SFY), the CDJFS shall submit a completed JFS 01870 "Federal Medicaid and Federal Food Stamp Match Certification" (rev. 5/2008) to certify the availability of local nonfederal funds to be used as Medicaid administration (MA) and FS match, prior to drawing additional Medicaid or FS funding.

(C) The IM control funding is issued on a SFY basis, July first through June thirtieth.

(D) The following methodology is used to distribute available IM funds. (1) Thirty per cent is based on county population

less than one hundred per cent of the federal poverty level utilizing the most recent calendar year (CY) data from the U.S. bureau of census. (2) Thirty per cent is based on county population less than two hundred per cent of the federal poverty level utilizing the most recently available CY data from the U.S. bureau of census. (3) Thirty per cent is based upon the county's adjusted recipients. The number of adjusted recipients is equal to the total of the categories of non-public assistance FS recipients, DA recipients and DMA recipients, adult medicaid recipients, healthy start, children health insurance program (CHIP), TANF-related and medicaid recipients, and TANF recipients. (4) Five per cent is based upon the county's average unemployment rate as compared statewide in the same category, utilizing the most recently available report month. (5) Five per cent is based upon the county's poverty rate. A county's poverty rate is identified as the percentage of the county's population living at or below the federal poverty level.

(E) Upon completion of the steps in paragraph (D) of this rule, a 0.03 per cent adjusting factor is used to increase or decrease the funding based upon the county difference to the statewide average per capita income.

(F) The formula increases and decreases are capped at nine per cent and are based on the previous SFY. No county can earn more than nine per cent or be decreased by more than nine per cent each SFY.

In the event of an increase in the statewide allocation amount, the net gain is distributed to the CDJFS by applying the formula listed in this paragraph. In the event of a decrease in the statewide allocation amount, the formula is applied to the amount of net loss and proportionately deducted from the county's preceding SFY's allocation amount.

(G) The following expenditures may be properly coded against this funding: (1) DMA administration as contained in rule 5101:1-42-01 of the Administrative Code may be coded at one hundred per cent of the total expended amount; (2) Nonfederal share of FS administration as contained in division 5101:4 of the Administrative Code may be coded at fifty per cent of the total expended amount; (3) Nonfederal share of allowable FS employment and training (FSET) expenditures in excess of the FSET allocation as detailed in rule 5101:9-6-09 of the Administrative Code may be coded at fifty per cent of the total expended amount; and (4) Nonfederal share of medicaid administration may be coded against the IM control medicaid budget at fifty per cent of the total expended amount.

Nonfederal share of medicaid administration includes: (a) NET administration as contained in Chapter 5101:3-24 of the Administrative Code; (b) Managed health care program (MHCP) as contained in Chapter 5101:3-26 of the Administrative Code; (c) Supplemental security income (SSI) administration as contained in rule 5101:1-5-60 of the Administrative Code; (d) Pregnancy related services (PRS) administration and transportation as contained in rule 5101:3-4-10 of the Administrative Code; (e) Healthchek administration as contained in rule 5101:3-14-01 of the Administrative Code; and (f) Mental health/mental retardation and developmental disabilities (MH/MRDD) administration.

(H) NET, and PRST contracts, purchased services, and direct delivery services are funded outside of the county funding process. To receive reimbursement of NET and PRST costs, the CDJFS must report expenditures as follows: (1) For contract and purchased services, the appropriate program and classification codes must be reported on the JFS 02827 "Monthly Financial Statement" (rev. 11/2000). (2) For direct delivery services, the appropriate time study codes must be reported on the JFS 02710 "Income Maintenance RMS – Random Moment Sample Observation Form" (rev. 9/2007) or the JFS 02714 "Social Services RMS – Random Moment Sample Observation Form" (rev. 9/2007).

(I) CDJFS expenditures are captured through the RMS process and are reported on the JFS 02827 as described in rule 5101:9-7-03 of the Administrative Code.

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

5101:9-6-05 Income maintenance (IM) control funding, non-emergency transportation (NET) funding, and pregnancy related services and transportation (PRST) funding. Effective: 07/20/2009

(A) The IM control funding is used by the county department of job and family services (CDJFS) to meet matching fund requirements or reimburses the county for administrative expenditures incurred in the administration of the disability financial assistance (DFA) and disability medical assistance (DMA), food assistance, and medicaid programs. The Ohio department of job and family services (ODJFS) will establish a budget for the IM control amount allocated to the CDJFS. The ODJFS will enter each CDJFS's aggregate budget in the statewide reporting system and for the following: (1) IM

control DFA and DMA; (2) IM control food assistance; and (3) IM control medicaid.

(B) The funding for IM control budgets consists of one hundred per cent state funds, and is in addition to the county mandated share required by section [5101.16](#) of the Revised Code and detailed in rule 5101:9-6-31 of the Administrative Code.

Federal medicaid administration funding and federal food assistance administration funding is passed through to the CDJFS at the federal financial participation (FFP) rate of fifty per cent. The income maintenance control allocation shall be used by the CDJFS as the nonfederal match for both food assistance and medicaid administrative expenditures. In the event that a CDJFS's IM control food assistance or IM control medicaid budget is exhausted prior to the end of the state fiscal year (SFY), the CDJFS shall be required to provide local nonfederal funds to be used as medicaid administration (MA) and food assistance match.

(C) The IM control funding is issued on a SFY basis, July first through June thirtieth.

(D) The following methodology is used to distribute available IM funds.

(1) Thirty per cent is based on county population less than one hundred per cent of the federal poverty level utilizing the most recent calendar year (CY) data from the U.S. bureau of census. (2) Thirty per cent is based on county population less than two hundred per cent of the federal poverty level utilizing the most recently available CY data from the U.S. bureau of census. (3) Thirty per cent is based upon the county's "adjusted recipients." The number of adjusted recipients is equal to the total of the categories of non-public assistance food assistance recipients, DFA recipients and DMA recipients, adult medicaid recipients, healthy start recipients, children health insurance program (CHIP) recipients, TANF-related medicaid recipients, and TANF recipients. (4) Five per cent is based upon the county's average unemployment rate as compared statewide in the same category, utilizing the most recently available report month. (5) Five per cent is based upon the county's poverty rate. A county's poverty rate is identified as the percentage of the county's population living at or below the federal poverty level.

(E) Upon completion of the steps in paragraph (D) of this rule, a 0.03 per cent adjusting factor is used to increase or decrease the funding based upon the county difference to the statewide average per capita income.

(F) ODJFS caps the formula-calculated allocation amounts at a nine per cent increase and decrease from the previous SFY. If a decrease or increase in the statewide amount results in counties' allocations fluctuating more than nine per cent, ODJFS will not apply the formula, but will decrease or increase each county's previous SFY allocation by the percentage of change to the statewide amount.

(G) The following expenditures may be properly coded against this funding.

(1) DFA and DMA administration as contained in rule 5101:1-42-01 of the Administrative Code may be coded at one hundred per cent of the total expended amount; (2) Nonfederal share of food assistance administration as contained in division 5101:4 of the Administrative Code may be coded at fifty per cent of the total expended amount; (3) Nonfederal share of allowable food assistance employment and training expenditures in excess of the food assistance employment and training allocation as detailed in rule 5101:9-6-09 of the Administrative Code may be coded at fifty per cent of the total expended amount; and (4) Nonfederal share of medicaid administration may be coded against the IM control medicaid budget at fifty per cent of the total expended amount. Nonfederal share of medicaid administration includes: (a) NET administration as contained in Chapter 5101:3-24 of the Administrative Code; (b) Managed health care program (MHCP) as contained in Chapter 5101:3-26 of the Administrative Code; (c) Supplemental security income (SSI) administration as contained in rule 5101:1-5-60 of the Administrative Code; (d) PRST administration as contained in rule 5101:3-4-10 of the Administrative Code; (e) Healthchek administration as contained in rule 5101:3-14-01 of the Administrative Code; and (f) Mental health/mental retardation and developmental disabilities (MH/MRDD) administration.

(H) NET, and PRST contracts, purchased services, and direct delivery services are funded outside of the county funding process. To receive reimbursement of NET and PRST costs, the CDJFS must report expenditures as follows:

(1) For contract and purchased services, the appropriate program and classification codes must be reported on the JFS

02827 "Monthly Financial Statement" (rev. 11/2000).

(2) For direct delivery services, the appropriate time study codes must be reported on the JFS 02710 "Income Maintenance RMS – Random Moment Sample Observation Form" (rev. 9/2007) or the JFS 02714 "Social Services RMS – Random Moment Sample Observation Form" (rev. 9/2007).

(I) CDJFS expenditures are captured through the RMS process and are reported on the JFS 02827 as described in rule 5101:9-7-03 of the Administrative Code.

(J) 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

Auditors should evaluate cost pools and reporting requirements that are consistent between ODJFS grant programs and only test these once rather than with each grant program. The following table shows where some efficiencies can be gained for common cost pools (FACCR Section A) and reports (FACCR Section L):

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.

V. Reporting in the Schedule of Federal Awards Expenditures

Medicaid benefits are paid by the State ODJFS; therefore, eligibility and recipient benefit payments will be audited by the State Region.

The County federal schedule will report direct 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.

The local government should report federal expenditures for CFDA #93.775, 93.777, 93.778. 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 Quic+ program should provide this information in sufficient detail for federal schedule

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

19/96

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

testing/reporting. The Schedule should also report the following for this program:

- CFDA number: #93.775, 93.777, 93.778
- Grant Title: Medicaid Cluster
- 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

ODJFS is receiving ARRA monies as part of the Medical Assistance Program, CFDA # 93.778. There are no substantial changes in Federal Programmatic Requirements and 1512 reporting is not required. Counties receiving these funds should report them separately on the schedule of federal awards as part of the 93.778 program. Auditors should review grant information for specific program requirements. In addition, auditors should attach and test the ARRA Addendum.

Per the ODFJS Stimulus Projects website:

Stimulus Benefits for the Medicaid Program

Medicaid is the federally funded, state-administered program that reimburses providers such as doctors, dentists, optometrists, home health care aides and health care facilities for providing medically necessary health care services to eligible low-income individuals. Medicaid also provides assistance with durable medical equipment such as wheelchairs and oxygen. The Federal Medical Assistance Percentage (FMAP) is the federal share of the state's Medicaid expenditures.

The Recovery Act increases the FMAP by using a formula that takes into account states' unemployment rates. This temporary program – known as eFMAP, for Enhanced Federal Medical Assistance Percentage – will bring approximately \$2.9 billion to Ohio through calendar year 2010.

For more information about Ohio's Medicaid programs, visit <http://jfs.ohio.gov/OHP/bcps/FactSheets/>.

Other Information per the 2009 OMB Compliance Supplement:

Transfers into Medicaid (Title XIX)

As described in Part 4 of the OMB Compliance Supplement, Children's Health Insurance Program (CHIP) (CFDA 93.767), III.A.1, "Activities Allowed or Unallowed," qualifying States may use up to 20 percent of their available FY 1998, 1999, 2000, or 2001 CHIP allotments under the State's Medicaid program (CFDA 93.778). The qualifying States, determined by CMS using the criteria in Pub. L. No. 108-74 section 1(g)(2) and Pub. L. No. 108-127, section 1, are: Connecticut, Hawaii, Maryland, Minnesota, New Hampshire, New Mexico, Rhode Island, Tennessee, Vermont, Washington, and Wisconsin.

Amounts transferred into the State's Medicaid program are subject to requirements of the Medicaid program when expended and should be included in the audit universe and total expenditures of this program when determining Type A programs. On the Schedule of Expenditures of Federal Awards, amounts transferred in should be shown as expenditures of this program when such amounts are expended.

AOS Note: These transfers are at the State Level and should not affect County Federal Schedules. If you find such transfers made at the County, contact the A&A Federal Program Coordinator for guidance.

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

Computer Systems

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

- CRIS-E - Used primarily to determine eligibility and benefit amounts for Food Stamps, TANF, SCHIP, and Medicaid; and generates the voucher summary detail for these programs. It also maintains data entered by the case workers related to the recipients and their cases.

ODJFS website gives specific CRIS-E reporting tools at http://www.jfs.ohio.gov/owf/prc/Reporting_Tool.stm

- 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 program). 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'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, 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. Funds can only be used for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training at the County level (42 CFR sections 435.10, 440.210, 440.220, and 440.180).
- 2. *Case Management Services* - The State plan may provide for case management services as an optional medical assistance service. The term "case management services" means services that will assist individuals eligible under the plan in gaining access to needed medical, social, educational, and other services.

Medicaid case management services are divided into two separate categories:

Administrative case management - Services must be identifiable with Title XIX benefit (e.g., outreach services provided by public school districts to Medicaid recipients).

Medical/targeted case management - Services must be provided to an eligible Medicaid recipient. Services do not have to be specifically medical in nature and can include securing shelter, personal needs, etc. (e.g., services provided by community mental health boards, county offices of aging).

Case management services is an area of risk because of the high growth of expenditures and prior experience that indicates problems with the documentation of case management expenditures.

With the exception of case management services provided through capitation (a process in which payment is made on a per beneficiary basis) or prepaid health plans, Federal regulations typically require the following documentation for case management services: date of service; name of recipient; name of provider agency and person providing the service; nature, extent, or units of service; and, place of service (Pub. L. No. 99-272, Section 9508; 42 CFR part 434).

(Source: 2009 OMB Compliance Supplement)

Compliance Requirements - Program Specific Requirements

RMS

OAC 5101:9-7-20 Income maintenance, workforce, social services, and child welfare random moment sample (RMS) time studies. (effective 2/1/08) [This rule designated an Internal Management Rule] – **Auditors should refer to this section (<http://codes.ohio.gov/oac/5101%3A9-7-20>) for additional information on RMS.**

- Per this OAC code, the income maintenance random moment sample (IMRMS), workforce random moment

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

A. Activities Allowed or Unallowed

sample (WFRMS), social services random moment sample (SSRMS), and child welfare random moment sample (CWRMS) time studies are designed to measure activity regarding various programs. Data collected from these time studies are used to calculate allocation statistics used to distribute cost pool expenditures to the appropriate programs. The percentages are used by the Ohio department of job and family services (ODJFS) to distribute administrative funds reported on the monthly financial statements or certification sheets as detailed in rule 5101:9-7-29 of the Administrative Code.

The RMS forms are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. Both the Income Maintenance RMS (IMRMS) and the Social Services RMS (SSRMS) 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 2827 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>.

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

AOS Additional Testing Considerations

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

County testing will primarily consist of the following:

- Administrative expenses
- FTE/RMS/Cost pools
- Direct expenditures, such as NET (non-emergency transportation), contracts (note: Counties should not contract out eligibility or Medicaid services. See Section M.)

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

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

A. Activities Allowed or Unallowed

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.

County JFS must complete and submit a plan to define EPSDT (non-NET contract) activities. Auditors should review this plan when testing EPSDT expenditures.

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

- 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.

* 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"> • 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. 	
Information and Communication	
<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. 	
Monitoring	
<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>Does the County JFS have a separate EPSDT plan?</p> <p>What procedures does the County JFS have in place to ensure they follow the EPSDT plan?</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>Reminder: Auditors should gain efficiencies by testing in conjunction with other programs with the same requirements for CAP, FTE and RMS.</p>	
<p><u>Direct Costs</u></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><u>CAP</u></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><u>FTE Reporting</u></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><u>RMS</u></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 	

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

A. Activities Allowed or Unallowed

- 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 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?

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

A. Activities Allowed or Unallowed

- 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?
 - 1. Quarterly
 - 2. Monthly
 - 3. Weekly
 - 4. Daily
 - 5. Other (explain)
- iv. What items need to be completed on the form?
 - 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
 - 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
- 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).
 - 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).
 - 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.

Note: The last two columns of the county RMS Reference List includes the program and activity codes.

Reminder: Auditors should not put confidential information in the current working papers and should follow established procedures for protection of confidential information.

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

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, or both.

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.

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 circulars 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

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

B. Allowable Costs / Cost Principles

administered by publicly owned hospitals and other providers of medical care are exempt from OMB's cost principles circulars, but are subject to 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 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 contained within this FACCR in accordance with the applicable cost principle circular.

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, 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.

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

Introduction

OMB 2 CFR 225 (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.

B. Allowable Costs / Cost Principles

Cognizant Agency

2 CFR 225, Appendix 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 four broad categories as follows: (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).

Per the **2009 OMB Compliance Supplement**:

Recoveries, Refunds, and Rebates (Costs must be the net of all applicable credits)

1. States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability is established after the claim is paid, reimbursement from the third party should be sought (42 CFR sections 433.135 through 433.154).
2. The State is required to credit the Medicaid program for (1) State warrants that are canceled and uncashed checks beyond 180 days of issuance (escheated warrants) and (2) overpayments made to providers of medical services within specified time frames. In most cases, the State must refund provider overpayments to the Federal Government within 60 days of identification of the overpayment, regardless of whether the overpayment was collected from the provider (42 CFR sections 433.300 through 433.320, and 433.40).
3. Section 1903(w)(1) of the Social Security Act (as amended by Pub. L. No. 102-234) provides that, effective January 1, 1992, before calculating the amount of Federal financial participation, certain revenues received by a State will be deducted from the State’s medical assistance expenditures. The revenues to be deducted are (1) donations made by health providers and entities related to providers (except for *bona fide* donations and, subject to a limitation, donations made by providers for the direct costs of out-stationed eligibility workers); and (2) impermissible health care-related taxes that exceed a specified limit (42 USC 1396(b)(w); 42 CFR section 433.57).

“Provider-related donations” are any donations or other voluntary payments (in-cash or in-kind) made directly or indirectly to a State or unit of local government by (1) a health care provider, (2) an entity related to a health care provider, or (3) an entity providing goods or services under the State plan and paid as administrative expenses. “Bona fide provider-related donations” are donations that have no direct or indirect relationship to payments made under Title XIX (42 USC 1396 *et seq.*) to (1) that provider, (2) providers furnishing the same class of items and services as that provider, or (3) any related entity (42 CFR sections 433.58(d) and 433.66(b)).

Permissible health care-related taxes are those taxes which are broad-based taxes, uniformly applied to a class of health care items, services, or providers, and which do not hold a taxpayer harmless for the costs of the tax, or a tax program for which CMS has granted a waiver. Health care-related taxes that do not meet these requirements are impermissible health care-related taxes (42 CFR section 433.68(b)).

The provisions of Pub. L. No. 102-234 apply to all 50 States and the District of Columbia, except those States whose entire Medicaid program is operated under a waiver granted under section 1115 of the

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

B. Allowable Costs / Cost Principles

Social Security Act (42 CFR part 433; *Federal Register*, August 13, 1993, 58 FR 43156-43183).

4. Section 1927 of the Social Security Act allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers are required to provide a listing to CMS of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer's price and their best prices for each covered outpatient drug. Based on these data, CMS calculates a unit rebate amount for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data. Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

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 the 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, Appendix 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.
- 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

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

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

B. Allowable Costs / Cost Principles

- 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 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

lease that meet the definition of capital lease under GAAP. When uncertain about a particular item of costs, review 2 CFR 225, Appendix B. (2 CFR 225, paragraph B.9; Appendix B, sections 11.d, e, f, and g, and 38.d).

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

B. Allowable Costs / Cost Principles

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 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

⁴ As used in section B of this FACCR, federal "cognizant agency" is as defined in 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.

B. Allowable Costs / Cost Principles

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 (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, Appendix E, paragraphs D.2. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in the 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.)

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 contained in 45 CFR 92.

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

B. Allowable Costs / Cost Principles

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 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

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

B. Allowable Costs / Cost Principles

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 capital reserve of up to 60 days cash expenses for normal operating purposes (2 CFR 225, Appendix C, paragraph G.2). 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;

B. Allowable Costs / Cost Principles

- (ii) 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 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.

B. Allowable Costs / Cost Principles

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. See also 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.

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.

B. Allowable Costs / Cost Principles

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 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

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

40/96

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

B. Allowable Costs / Cost Principles

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 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.

B. Allowable Costs / Cost Principles

(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
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

B. Allowable Costs / Cost Principles

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, 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.

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

B. Allowable Costs / Cost Principles

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 activities allowed.

Information and Communication

- 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.

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

B. Allowable Costs / Cost Principles	
<ul style="list-style-type: none"> • 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)	
General	
<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. c) Conform with the allowability of costs provisions of OMB cost principles 2 CFR 225, or limitations in the program agreement or regulations. d) Conform with the allocability provisions of 2 CFR 225 (paragraph C3). e) Represent charges for actual costs, not budgeted or projected amounts. 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. g) Applied uniformly to federal and non-federal activities. 	

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

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

B. Allowable Costs / Cost Principles

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, Appendix 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*
 - (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.)
 - (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

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

B. Allowable Costs / Cost Principles

do not contain any material omissions.

- (3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:
 - (a) Obtain and read the current ICRA and determine the terms in effect.
 - (b) Select a 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).

- (4) *Other Procedures – No Negotiated ICRA*
 - (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.
 - (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.

6) State/Local-Wide Central Service Costs

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.

- 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.
 - (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 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

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, Appendix 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, Appendix 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

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 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

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

B. Allowable Costs / Cost Principles

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 contain (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.
- (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

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

B. Allowable Costs / Cost Principles	
<p>of depreciation, capital costs, and debt principal costs); and</p> <p>(iii) Adjustments were made when there is a difference between the revenue generated by each billed service and the actual allowable costs.</p> <p>Note: A 60-day working capital reserve is not automatic. Refer to the HHS publication, <i>A Guide for State, Local, and Indian Tribal Governments</i> (ASMB C-10) for guidelines.</p> <p>(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.</p> <p>(c) Test that billing rates exclude unallowable costs, in accordance with applicable cost principles and Federal statutes.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	
<p>7) State Public Assistance Agency Costs</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>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.</p> <p>c) <i>General Audit Procedures</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.</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> <p>(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 225, Appendix B).</p> <p>(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.</p> <p>d) <i>Special Audit Procedures for Public Assistance CAPs</i></p> <p>(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.</p> <p>(2) Verify that public assistance CAP includes the required documentation in accordance with 45 CFR section 95.507.</p>	

* 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 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.

**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 - Specific Program 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 5101:9-7-03 Public assistance (PA) financing and cash management is the State rule for cash management. The previous rule was split into three (5101:9-7-03, 5101:9-7-03.1 & 5101:9-7-03.2) effective 9/12/09 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.

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

C. Cash Management

States and Other Recipients

- 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 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
Eligibility requirements in the 2009 OMB Compliance Supplement will be tested by the State Region.
Per ODJFS, there are no additional County level Medicaid eligibility requirements.

* 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 or real property 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. Local governments shall use State laws and procedures for equipment acquired under a subgrant from a State.</p> <p>45 CFR 92.32 (below) provides the federal requirements for the use, management and disposition of equipment acquired in whole or in part with Federal monies. Basically, 45 CFR 92 requires 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><i>Real Property Management – Per ODJFS, Medicaid monies cannot be used for acquiring real property.</i></p>
Compliance Requirements –Specific Program 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 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

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

F. Equipment and Real Property Management

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..".

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

F. Equipment and Real Property Management

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?
2. Are policies and procedures in place to ensure the maintenance of property records including the following information for federally funded equipment:
 - 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;

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

F. Equipment and Real Property Management	
<ul style="list-style-type: none"> • 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> <ul style="list-style-type: none"> 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. 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). 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 appropriately safeguarded and maintained. <p>4) <i>Disposition of Equipment</i></p> <ul style="list-style-type: none"> 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. b) For dispositions of equipment acquired under Federal awards, perform procedures to verify that 	

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

F. Equipment and Real Property Management

the dispositions were properly reflected in the property records.

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.

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.

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.

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.

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

The 2009 OMB Compliance requirements are either tested by the State Region or not applicable per ODJFS; however, there are ODJFS matching requirements. County JFS costs of administering the program are part of the state cost allocation plan and mandated share. If the County requests additional Federal funding, they have to show a match is available. See ODJFS requirements below in the Program Specific Requirement section.

1. Matching - This OMB requirement will be tested by the State Region. See next paragraph.

The State is required to pay part of the costs of providing health care to the poor and part of the costs of administering the program. Different State participation rates apply to medical assistance payments. There are also different Federal financial participation rates for the different types of costs incurred in administering the Medicaid program, such as administration (including administration of family planning services), training, computer, and other costs (42 CFR sections 433.10 and 433.15). **(Source: 2009 OMB Compliance Supplement)**

2. Level of Effort

Per ODJFS, there are no County level of effort requirements.

3. Earmarking

Per ODJFS, there are no County earmarking requirements.

However, for matching, 45 CFR 92 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 45 CFR 92 and 45 CFR 74 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

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.

G. Matching, Level of Effort, Earmarking

Compliance Requirements - Program Specific Requirements

For Medicaid, the Federal Share is 50% so the County JFS would be reimbursed for 50% from the Federal share and 50% from State (IM) or local monies. When the County requests funding, the required match of IM funding is automatically sent with the Federal share (until the IM allocation is exhausted). This IM allocation is programmed into CFIS so auditors are not required to test the IM allocation. The amount of Federal funding is unlimited as long as the County can provide the matching funds.

Once the County uses all their IM allocation, they must use local funding for the 50% match. County JFS share of administering the program is included in the County's mandated share amount. If the mandated share is exhausted, the County may use additional allowable local monies to meet the required share.

See Introduction, Part II, Program Funding section of this FACCR for the Income Maintenance and Mandated Share OAC rules.

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 or be used for another federally assisted program.
- Adequate review of monthly cost reports and adjusting entries.

Information and Communication

- Accounting system capable of:
 - 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:
 - 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.

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

G. Matching, Level of Effort, Earmarking	
Monitoring	
<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 procedures do the county have in place to monitor matching requirements?	
Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
1) Matching <ul style="list-style-type: none"> a) Compute the amount of match required and determine whether the amount provided was sufficient to meet the requirements. b) Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source. c) Test transactions used to match for compliance with the allowable costs/cost principles requirement. 2) Level of Effort – n/a 3) Earmarking – n/a	
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.

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 periods 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 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.

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 5101:9-7-03.2 (eff. 9-12-09) states in Section (E):

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

H. Period of Availability of Federal Funds

(E) Prior period coding adjustments

Except for FSS and "Title XX TANF Transfer" expenditures, which are addressed in paragraph (F) of this rule, 45 C.F.R 95.7 requires expenditures be reported within two years after the expense was incurred. Consistent with those regulations, requests for ODJFS coding adjustments shall be submitted to ODJFS one quarter prior to the end of the two-year period to allow ODJFS time to compile federal reports and to submit for federal reimbursement.

(1) CDJFS shall submit coding adjustments to ODJFS through QUIC+ for upload into CFIS no later than seven quarters after the expense was incurred.

(a) The CDJFS 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 CDJFS shall make the coding adjustment against the current year 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) Federal social services (FSS) and "Title XX TANF Transfer" funds shall be expended within one year. Therefore, coding adjustments for Title XX entitlement funds and Title XX transfer funds and the portion of shared costs applicable to Title XX entitlement funds and Title XX transfer funds are limited to a one-year retroactive period.

(1) CDJFS shall submit coding adjustments to ODJFS through QUIC+ for upload into CFIS no later than three quarters after the expense was incurred.

(a) The CDJFS 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 to which the expenditure was charged is no longer available, the CDJFS 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.

(G) The CDJFS shall retain financial, programmatic, statistical, recipient records, and supporting documents in accordance with the records retention requirements outlined in rule 5101:9-9-21 of the Administrative Code.

Prior to 9-12-09 these same requirements were part of 5101.9-7-03 section E. ODJFS split the rule 9-12-09 into three different rules. 5101:9-7-03 Public assistance (PA) financing and cash management; 5101:9-7-03.1 Public assistance (PA) quarterly reconciliation; 5101:9-7-03.2 Public assistance (PA) annual and grant closeout. (eff. 9-12-09)

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 period of availability for testing.

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

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

H. Period of Availability of Federal Funds	
availability.	
Risk Assessment	
<ul style="list-style-type: none"> The budgetary process considers period of availability of Federal funds as to both obligation and disbursement. Identification and communication of period of availability cut-off requirements as to both obligation and disbursement. 	
Control Activities	
<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. 	
Information and Communication	
<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. 	
Monitoring	
<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"> 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. 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. 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 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 (codified A-102 Common Rule), 45 CFR 74 (Codified Circular A-110), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively, are given for each procedure indicated below. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

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 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>).

Government wide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in

I. Procurement and Suspension and Debarment

2 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.

See appendix II of the OMB A-133 Compliance Supplement to identify the applicable CFR section and insert in the following cite reference (§____.105, 110, and 510)

Compliance Requirements - Specific Program 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 as 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 the 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

I. Procurement and Suspension and Debarment

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 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.

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.
 - 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:

I. Procurement and Suspension and Debarment	
<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 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. 	

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

I. Procurement and Suspension and Debarment

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
Per ODJFS, there is no program income for Medicaid at the County level.

* 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

- 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 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.

Compliance Requirements – Specific Program Requirements

There are currently no OMB reporting requirements for Counties.

OAC 5101:9-7-03 and **5101:9-7-03.1 (eff. 9-12-09)**, provide guidance on the financing, cash management, and quarterly reconciliation and closeout procedures (including some Form 02827 reporting requirements) are in. Public Assistance (PA) funds are determined quarterly and disbursed weekly to the County JFS, upon receipt of the county cash draw request for funds. Available funds are limited by state appropriation and federal grant awards. All payments are issued via electronic funds transfer (EFT). County JFS shall report receipt of revenue, disbursements of funds and provide documentation to justify the allocation of costs and various funds by the submission of the JFS 02710 "Income Maintenance RMS – Random Moment Sample Observation Form" (rev. 3/2009) or the JFS 02714 "Social Services Random Moment Sample Observation Form" (rev. 3/2009). A state expenditure reconciliation report of the PA data subset is prepared quarterly to show a summary of net expenditures and receipts. The county agency is given the opportunity to review the reconciliation reports for accuracy. The quarterly PA fund reconciliation review requirement is intended to correct instances where ODJFS or the county agency discover errors, i.e. incorrect splits of shared costs or wrong allocations, incorrect time study codes, and/or JFS 02827 codes and expenditures. Quarterly close - The PA fund is reconciled each quarter based on the final reconciliation reports.

Previously, these same requirements were part of OAC 5101:9-7-03. This rule was split into three different rules – OAC 5101:9-7-03 Public assistance (PA) financing and cash management; OAC 5101:9-7-03.1 Public assistance (PA) quarterly reconciliation; OAC 5101:9-7-03.2 Public assistance (PA) annual and grant closeout.

Prior to 9-12-09, the annual and grant closeout procedures were as follows:

Annual closeout - Final July through September quarterly expenditures corrections are due to ODJFS and shall be uploaded into the statewide automated accounting system by the tenth day of November each year in preparation for the annual closeout. Upon receipt of all final reports, ODJFS shall perform a reconciliation for each CDJFS and at the discretion of the ODJFS director, may redistribute appropriated funds on a grant by grant basis. The annual reconciliation report and JFS 02717 "Annual Closeout Agreement and Certification Administrative Fund Reconciliation" (rev. 12/2006) shall be generated by ODJFS and sent to the CDJFS no later than the tenth of January. If the CDJFS agrees with the JFS 02717, the CDJFS shall return the agreement containing the authorized person's signature to ODJFS no later than the last day of January. The final exchange of funds for the SFY closeout shall occur as follows: (1) The CDJFS shall submit one check for the total overpayment amount no later than the fifteenth of March unless the county disagrees with the annual closeout amount as described in paragraph (L) of this rule. Separate checks for each allocation are not necessary. Failure by the CDJFS to remit payment by the fifteenth of March may result in referral to the office of the attorney general for collection proceedings. (2) ODJFS shall redistribute funds to the CDJFS for any underpayment no later than the last business day of March. The redistribution process shall be dependent upon the timely receipt of funds by counties with overpayments.

Beginning 9-12-09, the annual and closeout procedures for Federal subawards are as follows:

Federally funded sub-grants should be reconciled quarterly throughout the grant availability period and at the discretion of the director of ODJFS, certain grants may be available for expenditure for the duration of the federal grant period of obligation and liquidation. At the end of the SFY, all unexpended financial allocations obligated from those federal grant funds may continue to be valid for expenditure during subsequent SFYs. Grants not selected to continue past the end of the SFY will be closed along with state-funded allocations as outlined in paragraph (B) of this rule. Rather than being closed during annual closeout, grants selected to continue across state fiscal years will be closed at the end of the grant availability period during the normal quarterly closeout process.

(1) At the end of the grant availability period, upon receipt of all final quarterly reports, ODJFS will perform a grant

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

L. Reporting

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 CDJFS under-spending, the ODJFS will determine, on a statewide basis, the amount of available funds that may be redistributed. The ODJFS will provide preliminary redistribution amounts to any CDJFS that has expenditures in excess of the grant in which available funds have been identified. The 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.

(2) The ODJFS will send the grant reconciliation report to the CDJFS after the end of the grant period. The CDJFS shall review the grant reconciliation report and notify ODJFS if any disagreement with the amounts within fifteen business days of the date of receipt.

(3) If the CDJFS disagrees with the grant reconciliation report, the CDJFS shall return the reconciliation report stating its disagreement, along with supporting documentation to the BCFTA. The ODJFS fiscal supervisor assigned to the CDJFS will review the documentation, verify the fiscal amount, and submit a report of findings to ODJFS within thirty 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 within fifteen business days of receipt of the ODJFS fiscal supervisor's findings. The CDJFS shall return any applicable payment within thirty days, of receipt of the revised reconciliation. The identification of an error in ODJFS records may result in subsequent adjustments to statewide redistribution and ceiling excess coverage.

(5) If the CDJFS's records are found to be in error, the CDJFS shall only request correction of the error if it results in monies returned to the state. The CDJFS shall remit applicable payment within thirty business days of receipt of the ODJFS fiscal supervisor's findings.

(D) Any excess expenditures identified in the procedures in paragraph (C) of this rule after grant closeout and redistribution occurs shall become the responsibility of each CDJFS that has remaining excess expenditures. Coding adjustments shall be made to current periods as covered in paragraphs (E) and (F) of this rule and shall not be available for closed period grants.

Overpayments and underpayments will be offset and the final exchange of funds for the grant closeout shall occur as follows: (1) The CDJFS shall submit one check for any overpayment unless the county disagrees with the grant closeout amount as described in paragraph (C) of this rule. Failure by the CDJFS to remit payment as requested may result in referral to the office of the attorney general for collection proceedings. (2) The ODJFS will redistribute funds to the CDJFS for any underpayment. The redistribution process may be dependent upon the timely receipt of funds by counties with overpayments.

The Rule governing county collections is as follows. Please note AOS only included Medicaid specific requirements. If auditors need additional information on reporting county collections, they should review the entire OAC requirement.

OAC 5101:9-7-06 Reporting County Collections (Effective Date: August 8, 2008)

- A. When a public assistance recipient has received a cash or benefit overpayment for general assistance (GA), disability financial assistance (DFA), temporary assistance for needy families (TANF) or aid to dependent children (ADC) assistance, family emergency assistance (FEA) medical, child care, medicaid, food stamps (FS), early learning initiative (ELI), employment retention incentive program (ERI) or prevention, retention and contingency (PRC);, the county department of job and family services (CDJFS) shall recover the funds.

Note: The reporting requirement for Medicaid is in (1)(d) as follows:

- 1) The CDJFS shall report cash erroneous payments collections that qualify for earnings on the JFS 02827 "Monthly Financial Statement" (rev. 11/2000) as follows:

(d) Medicaid:

L. Reporting

- (i.) For collections reported on or after July 1, 2004, the CDJFS shall report the collection of erroneous payments as earnings from medicaid collections on the JFS 02827;
- (ii.) At the end of the quarter, ODJFS calculates the reported amounts and multiplies by the current non-federal share percentage, which changes every federal fiscal year (FFY), effective October first, and then multiplies the product of that calculation by fifty per cent; and
- (iii.) ODJFS issues the amount as an EFT to the county.

B. The CDJFS shall report the following erroneous payments collections as receipts on the JFS 02827:

- (1) Cancellations, collections, refunds, or other GA receipts;
- (2) Collections of erroneous payments for FEA medical;
- (3) Collections of ADC erroneous payments made prior to October 1, 1987;
- (4) Cancellations, collections, refunds, or other child care receipts;
- (5) Collections of erroneous payments of ELI funds;
- (6) Collections of erroneous payments of ERI funds; and
- (7) Collections of PRC.

C. ODJFS will include the erroneous payment collections, as reported on the JFS 02827, on the over/under report and as part of the quarterly close calculation.

COUNTY LEVEL REQUIREMENTS

In order for ODJFS to prepare the financial reports required, they must obtain financial information from the counties. As noted above, on a monthly basis, each county is required to submit to ODJFS a 02827 Monthly Financial Statement (relating to all public assistance programs). Tests related to reporting at the county level for public assistance will be limited to the 2827 form and include the following:

1. The CDJFS director must certify the accuracy and amount of disbursements in Section C.
2. Per the Administrative Procedure Manual (APM) Section 7902, the ODJFS 2827 Monthly Financial Statement must be submitted to the Ohio Department of Job and Family Services Bureau of Budget and Control, County Finance Section no later than the 20th of the month following the expenditure month.

The Counties are also required to include cash or benefit overpayments for Medicaid on JFS 2827. Counties retain Benefit recoveries monies (incentive monies) and report quarterly on the JFS 2827 to offset future draws from ODJFS. Most recoveries are from court convictions and many are uncollectible. The County recovers collectible benefits via payback plans or a reduction in benefits.

Counties can also receive spend down monies if recipients are part of spend down program. Counties can receive payment for spend down requirements or they may require the recipient to bring in receipts to support spend down requirement. If the County does accept monies, they should have established spend down collection procedures. Counties enter these monies into CFIS and like recoveries, report quarterly on the JFS 2827 and offset future draws from ODJFS.

ODJFS 02827 form and instructions can be found at <http://jfs.ohio.gov/ofs/bcfta/TOOLS/TOOLS.stm> .

Auditors should test the ODJFS 02827 Form in conjunction with other programs also reported on the Form. The following is a list of programs reported on the ODJFS 02827 Monthly Financial Statement Public Assistance Fund Certification Sheet:

Medicaid
CHIP / SCHIP
Food Assistance / SNAP
TANF
Child Care Cluster
Social Service Block Grant

In addition, the County should be reviewing the grant reconciliation report and responding to ODJFS.

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

L. Reporting

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.

(Source: ODJFS)

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

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.

Control Environment

- 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.

Risk Assessment

- 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.

Control Activities

- 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).

Information and Communication

- An accounting or information system that provides for the reliable processing of financial and performance information for Federal awards.

Monitoring

- 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><u>ODJFS 2827:</u> Identify and document the control procedures addressing the ODHS 2827.</p> <p><u>Grant Reconciliation Report</u> What controls does the County JFS have over the review of the grant reconciliation report?</p>	
---	--

Suggested Audit Procedures – Compliance (Substantive Tests)	WP Ref.
--	----------------

<p><u>ODJFS 2827:</u></p> <p>1. Based on the results of the test of controls, select monthly ODJFS Form 2827 reports in the audit period. Review reports to determine if:</p> <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). <p style="margin-left: 40px;">Note: Inquire if reports are being electronically submitted. If submitted electronically, the electronic submission date is an acceptable date.</p> <ul style="list-style-type: none"> — It is mathematically accurate; recalculate amounts as necessary. 	
--	--

* 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"> — All amounts reported are traceable to appropriate supporting documentation and appear to be code properly. — All amounts reported agree to the Quarterly CFIS reconciliation from ODJFS. — All amounts reported agree to the County Auditors records. — Form 2827 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:

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

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 contained 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.

Compliance Requirements – Specific Program Requirements

Counties should never contract out eligibility determinations or Healthchek services. Counties can however, contract out for support or outreach services, EPSDT services (non-NET contract) and NET services (non-emergency transportation). Contracts (whether vendor or subrecipient) are not required to be submitted or approved by ODJFS. Auditors should review contracts entered into by the County JFS for services to determine if a vendor or subrecipient relationship exists. Auditors should also look for reoccurring expenditures to determine if such a relationship exists without entering into a formal contract.

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://jfs.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

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

M. Subrecipient Monitoring

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:

(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

M. Subrecipient Monitoring

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 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

M. Subrecipient Monitoring

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 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

M. Subrecipient Monitoring

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, 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>	

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

M. Subrecipient Monitoring	
<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 changes; and • 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)	WP Ref.
<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) 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 (County’s) subrecipient procedures through a review of the County’s subrecipient monitoring policies and procedures (e.g., annual risk assessment review) 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 County’s documentation of the annual risk assessment review 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 County’s follow-up to the subrecipient’s improvement plan on deficiencies noted during the annual risk assessment review. Subrecipient’s must submit an improvement plan within 60 days from issuance of the findings. 5) Verify that the County: <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. 	

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

M. Subrecipient Monitoring

- 6) Verify that in cases of continued inability or unwillingness of a subrecipient to have the required audits or follow up on the risk assessment review, the pass-through entity took appropriate action. As noted in the OAC section above, failure to submit and implement an improvement plan will constitute grounds for contract or subaward agreement termination.
- 7) Verify that the effects of subrecipient noncompliance are properly reflected in the pass-through entity's records.
- 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 and the OAC section noted above.

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

Per ODJFS, there is no OMB Special Tests and Provisions for Medicaid at the County level.

However, ODJFS included a requirement for LPMD – see next page.

N. Special Tests and Provisions – Local Program Management Description

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) To determine if the County has completed the LPMD and performing the activities reported in the LPMD.

Compliance Requirements

The Healthcek program is a child health care program which offers every Medicaid recipient under 21 years of age medically necessary comprehensive health services. Pregnancy-Related Services (PRS) is a program which provides reimbursement for services to all pregnant Medicaid-eligible women.

The Early, Periodic, Screening, Diagnosis and Treatment (EPSDT) program, known in Ohio as Healthcek, and the Pregnancy-Related Services (PRS) program are federally mandated programs. In order to provide accurate information to the federal government, the Ohio Department of Job and Family Services is requiring that each County Department of Job and Family Services (CDJFS) complete and submit a Local Program Management Description (LPMD) for these programs. The LPMD was to be completed and returned to the OHP Bureau of Consumer and Program Support's County Compliance Section by October 15, 2005. The LPMD shall include a section for each program.

(Source: ODJFS LPMD emanual)

The Federal law supporting state-wideness of the program is the Omnibus Reconciliation Act of 1989 and 42 USC 1396(a)(a)(1). This requirement is part of the corrective action plan from CMS. Everyone has identified they are operating consistently throughout the State, thus meeting minimum requirements.

Per ODJFS, counties do submit these plans to the ODJFS, however, these plans will change over time. Auditors should obtain the plans for their testing period from the County JFS.

Counties should be sharing JFS 3528 documentation with Managed Care Plans documentation. Form 3528 are completed for EPSDT and PRS (pregnancy). They are sent to the consumer and then returned to County JFS. The information should be shared with the managed care plan. This is an information sharing tool. ODJFS is looking for how the County JFS is sharing information. Managed Care Plans are specific to regions and recipients choose MCP. If not they are assigned to a plan. JFS 3528 is currently being revised.

ODJFS also requested we look at documentation of the County JFS following up on JFS 3535's for high risk pregnancies (for PRS program). This form is used as a tool for working with individual to get special types of services for at risk services (i.e. under/over weight – nutritional services, smokers, homeless). It is initiated by the provider who determines at risk pregnancy. The form goes to eligibility worker or EPSDT (depends on LPMD). If no form is filed there is no follow-up. However, if a form is on file, the County JFS should show follow-up with client.

MEDICAID - HEALTHCEK PROGRAM

OAC 5101:1-38-05 (K) **(effective 10/15/05)**

The LPMD of the CDJFS Healthcek program must include the following information:

- Identify where, in the CDJFS table of organization, the responsibility for the Healthcek program is located and the name(s) and title(s) of the contact person or Coordinator.
- A description of all assigned duties (Healthcek related AND unrelated duties, if any) of the staff/unit responsible for informing the following groups of Healthcek eligible consumers:
 - a. Newly eligible Medicaid individuals
 - b. Pregnant women
 - c. Individuals in the custody of a public or private children's service agency
 - d. Hearing, vision, or speech impaired individuals
 - e. Individuals who have difficulty reading
 - f. Non-English speaking individuals

N. Special Tests and Provisions – Local Program Management Description

- A description of the process for follow up of children with elevated blood lead levels.

MEDICAID - PREGNANCY RELATED SERVICES (PRS) PROGRAM

OAC 5101:1-38-06 (K)

The LPMD of the CDJFS Pregnancy Related Services (PRS) program must include the following information:

- Identify where in the CDJFS table of organization the responsibility for the Pregnancy Related Services (PRS) program is located and the name(s) and title(s) of the contact person or Coordinator.
- A description of all assigned duties (PRS related AND unrelated duties, if any) of the staff/unit responsible for informing women identified as pregnant of the following:
 - a. The Pregnancy Related Services Program.
 - b. The importance of prenatal care.
 - c. The availability to assist eligible pregnant women in receiving an initial physician visit
- Identify the staff/unit responsible for the submission of pregnancy related services quarterly reports to ODJFS
- Identify how the CDJFS tracks women identified as pregnant
- Describe the following information concerning transportation services:
 - a. Types of transportation services available to pregnant women
 - b. Who will provide the transportation services
 - c. Whether the agency will provide transportation to infants during the first year of life.

ADDITIONAL REQUIREMENTS

- The LPMD must include copies of your agency's version of the forms used for both programs if your agency chooses not to use ODJFS state-issued forms for these programs.
- For counties with mandatory enrollment in Managed Care Plans (MCP), explain the steps that have been taken to establish relationships with each of the MCPs. The following Healthchek and PRS information must be included:
 - a. Names of each MCP's contact person
 - b. All written agreements the agency has made with any of the MCPs related to Healthchek and PRS
 - c. Provisions for regularly scheduled meetings with MCPs
 - d. How data is obtained from MCP's to support outreach efforts, blood lead level follow ups, etc...
- The LPMD for the Healthchek and Pregnancy Related Services programs must be emailed to the Healthchek_PRS mailbox **no later than October 15, 2005**. Once your county's LPMD is received electronically through the e-mailbox, you will be notified by e-mail if your LPMD is approved. Once your LPMD is approved, submit the final copy **signed by your agency's Director** to ODJFS/BCPS, County Compliance Section, by any of the following methods:
 - a. Scanned document (please use 'Microsoft Word') as an attachment to an email to the Healthchek_PRS mailbox
 - b. Fax (614-728-9201)
 - c. Regular mail at: Ohio Department of Job and Family Services
Bureau of Consumer and Program Support
County Compliance Section
30 E. Broad Street, 33rd Floor
Columbus, OH 43215-3414
- After the LPMD is approved, all future changes or amendments to the CDJFS's LPMD shall be submitted to DJFS/BCPS, County Compliance Section, in writing under the signature of the CDJFS Director within 10 working days of the effective date of the change.
- A copy of the signed LPMD must be accessible at the CDJFS to ODJFS staff for compliance monitoring purposes.
- Failure to submit your LPMD by **October 15, 2005** will result in follow-up contact by the Bureau of Consumer and Program Support Compliance Section.

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

N. Special Tests and Provisions – Local Program Management Description

(Source: ODJFS LPMD emanual)

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.

What procedures does the County have in place over LPMD's?

What procedures does the County have in place to follow when changes occur (new staff, director, Managed Care Plan changes, etc) to insure LPMD updated thus making sure kids are accessing services intended.

What controls does the County JFS have to track County training/attendance of staff to keep abreast of changes/requirements?

Suggested Audit Procedures – Compliance (Substantive Tests)

WP Ref.

ODJFS Special Tests and Provisions - Suggested Audit Procedures – Compliance (Substantive Tests):

1. Determine if the County JFS is sharing JFS 3528 for EPSDT and PRS documentation with Managed Care Plans documentation.
2. Determine if the County is keeping record of training/attendance of staff to keep abreast of changes/requirements.
3. If the provider determined there is a high risk pregnancy and filed a JFS 3535, determine if the

N. Special Tests and Provisions – Local Program Management Description	
County JFS followed up with the recipient for such services. Documentation on informing (as specified in their plan – letters, tickler files, referrals, making appointments, case notes, assistance with other social services).	
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.