**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

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

|  |  |
| --- | --- |
| **Federal Award Name:** | Supplemental Nutrition Assistance Program (SNAP) Cluster |
| **AL#:** | #10.551 Supplemental Nutrition Assistance Program (SNAP) #10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |

# Important Information

**In addition to completing the control and suggested audit procedures, yellow-highlighted text indicates items that must be addressed or updated by auditors and should be deleted after the required information is added.**

*Blue italicized text indicates guidance from CFAE.*

This FACCR has been tailored for local governments and Not-For-Profits with Health and Human Services monies passed through the Ohio Department of Job and Family Services. It does not include all required references and testing for Institutes of Higher Learning or State organizations.

If the program had COVID funding expenditures, please refer to the terms and conditions of the grant to determine if any additional requirements were imposed. Also see guidance in [Appendix VII](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Appendix_VII.pdf) of the Compliance Supplement.

If additional material requirements are identified, auditors will need to create procedures to test those requirements. If you have questions, AOS Auditors please open a Spiceworks ticket for assistance (IPAs email AOSFederal@ohioauditor.gov).

**Navigation Pane**

Click on the “View” tab on the top ribbon and check the box that says “Navigation Pane” to bring up the headings on the left side of the screen. Click on the various sections within the navigation pane to go directly to that section.

**Table of Contents**

On the table of contents page, users can also click on listed sections to go directly to that section. As information is added into the FACCR, page numbering will change, and the Table of Contents may need to be updated to reflect revised numbering. To update the Table of Contents, click on the word “Contents” directly above the line starting with Important Information, which brings up the icon “Update Table.” Clicking OK in the box that appears will update the page numbers on the Table of Contents to reflect any changes in the document.

**Guidance Links**

Links to guidance referenced throughout this document are included below:

* [Part 6](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/_files/ugd/3059fc_1df7d5dd38074006bce8fdf621a942cf.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Appendix_II.pdf) *to the OMB Compliance Supplement provides the codified section reference of the agency adoption of the Uniform Guidance (UG) (2 CFR Part 200) and nonprocurement suspension and debarment requirements in 2 CFR Part 180, including the 2020 revisions.*

*While some Federal agencies gave regulatory effect to the Uniform Guidance as a whole, others made changes to the UG language within the agency codified sections by either adding specific requirements/exceptions or editing/modifying existing language. OMB does not maintain a complete listing of agency exceptions to the UG, but the most recent compilation of agency additions and exceptions (updated through December 2014) is provided on the* [*CFO website*](https://www.cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf)*. AOS auditors should review the UG Exception Evaluation by Federal Agency spreadsheet (updated through June 2022)* [*on the Intranet*](https://ohauditor.sharepoint.com/%3Af%3A/r/sites/Intranet/Shared%20Documents/Audit_Resources/Federal/Other%20Federal%20Resources?csf=1&web=1&e=RtVw5R) *(Documents > Audit Resources > Federal > Other Federal Resources).*

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements.*

*Auditors should also review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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# Compliance Requirement Matrix

*Footnotes 1-7 below the matrix provide further explanation; review note 6 which discusses tailoring the matrix assessments.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | **Applicable per Compliance Supplement***(Yes/No)* | **Direct & Material to Program / Entity***(Yes/No)* | **Monetary****or Nonmonetary***(Set by CFAE)**(M/N)* | **Population Subject to Requirement (if Monetary)***(in $)* | **Inherent Risk****(from IRAF)***(High/Low)* | **Final Control Risk***(High/Low)* | **Detection****Risk of Noncompl.***(High/Low)* | **Overall Audit Risk of Noncompl.***(High/Low)* | **Federal Materiality by Compliance Requirement***(usually 5%)* |
| **A** |   | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |   | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |   | **Cash Management** | No |  |  |  |  |  |  |  |  |
| **D** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E**  |   | **Eligibility** | No |  |  |  |  |  |  |  |  |
| **F** |   | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |   | **Matching, Level of Effort, Earmark** | Yes |  | M |  |  |  |  |  | 5% |
| **H** |   | **Period of Performance** | No |  |  |  |  |  |  |  |  |
| **I** |   | **Procurement & Sus. & Debarment** | Yes |  | N |  |  |  |  |  | 5% |
| **J** |   | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |   | **Reporting** | No |  |  |  |  |  |  |  |  |
| **M** |   | **Subrecipient Monitoring** | Yes |  | N |  |  |  |  |  | 5% |
| **N** |   | **Special Tests & Provisions – ADP System for SNAP** | Yes – Tested at State Level |  |  |  |  |  |  |  |  |
| **N** |   | **Special Tests & Provisions – EBT Reconciliation and EBT Card Security**  | Yes |  | N |  |  |  |  |  | 5% |

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

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

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

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

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

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

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

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

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

*Control Risk Assessment:*

*Auditors must:*

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

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

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

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

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

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

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

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

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

[Part 6](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Part_6.pdf) of the 2023 OMB Compliance Supplement provides detailed guidance on assessing internal controls over the compliance requirements.

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

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

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

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

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

# Part I – OMB Compliance Supplement Information

***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 SNAP (Food Assistance) operates.***

### I. Program Objectives

The objective of SNAP is to help low-income households buy the food they need for good health.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### II. Program Procedures

**A. Administration**

The US Department of Agriculture (USDA), Food and Nutrition Service (FNS) administers SNAP in cooperation with state and local governments.

State human services agencies (or county human services agencies under the oversight of the state government) certify eligibility and provide benefits to households. They also provide nutrition education. FNS provides funding for state administration and benefits and oversees the operation of state agencies to ensure compliance with federal laws and regulations. In addition, FNS is solely responsible for authorizing and monitoring retail stores that accept SNAP benefits in exchange for food.

**B. Federal Funding of Benefits and State Administrative Costs**

The federal government pays 100 percent of the value of SNAP benefits and generally reimburses states for 50 percent of their costs to administer the program, except for those functions listed in III G.1, “Matching, Level of Effort, Earmarking – Matching.” SNAP’s authorizing statute places no cap on the amount of funds available to reimburse states at the 50 percent rate for allowable administrative expenses. No reimbursement is allowed for state expenditures for activities undertaken as a condition of settlement of quality control claims against the state for low payment accuracy.

States receive federal funds for SNAP nutrition education and obesity prevention (SNAP- Ed) activities based on a formula. The state agency must use these funds for the administrative costs of planning, implementing, and operating a SNAP-Ed program in accordance with its approved SNAP-Ed Plan. The federal government pays 100 percent of the costs. However, the state agency is prohibited from obligating additional federal funds for SNAP-Ed activities.

**C. Certification**

Eligibility for SNAP is based primarily on income and resources. Although a number of available state design options can affect benefits for recipients, a key feature of the program is its status as an entitlement program with standardized eligibility and benefits.

*1. Assessing Need*

Households generally cannot exceed a gross income eligibility standard set at 130 percent of the federal poverty standard. Households also cannot exceed a net income standard, which is set at 100 percent of the federal poverty standard. The net income standard allows specified deductions from gross income (e.g., a standard deduction and deductions for medical expenses (elderly and disabled only)), excess shelter costs, and work expenses. Nonfinancial eligibility criteria include school status, citizenship/legal immigration status, residency, household composition, work requirements, and disability status. Some noncitizens are ineligible to participate in the program. Able-bodied adults without dependents are subject to a time limit for receiving benefits if certain requirements are not met.

A total of 42 states have adopted the policy known as broad based categorical eligibility (BBCE). This policy allows a state to base SNAP eligibility determinations on households’ receipt of a Temporary Assistance for Needy Families (TANF)-funded noncash benefits or service (Assistance Listing 93.558). Depending on the eligibility criteria of the TANF program used to confer SNAP categorical eligibility, the BBCE may enable a state to (1) use a higher threshold (up to 200 percent of the poverty level) when applying the gross income test, and/or (2) eliminate the asset test altogether.

*2. Application Process for SNAP Benefits*

The application process for SNAP benefits includes the completion and filing of an application form, an interview, and the verification of certain information. In addition to using information supplied by the applicants, state or county agencies use data from other agencies, such as the Social Security Administration and the state employment security agency, to verify the household’s identity, income, resources, and other eligibility criteria.

**D. Benefits**

Benefit amounts vary with household size and income. As required by law, allotments for various household sizes are revised October 1 of each year to reflect the cost of the Thrifty Food Plan, a model plan for a low-cost nutritious diet that is developed and costed by USDA. The benefits each household receives are used to purchase food at authorized retail stores. States issue benefits in the form of debit cards, which recipients can use to purchase food. This is known as electronic benefits transfer (EBT).

**E. Benefit Redemption**

Generally, households must use program benefits to purchase foods for preparation and consumption at home. There are, however, very few exceptions to this general policy. For example, there are provisions for seniors, disabled persons, and homeless persons to use program benefits in authorized restaurants and for residents of some small institutional settings to participate in the program.

The state’s EBT contractor is responsible for settlement, or payment, to retailers that have accepted EBT cards for food purchases. The contractor’s “concentrator bank” makes the payment through the National Automated Clearing House (ACH) system. The concentrator bank is reimbursed for the payments by a draw made on the state’s EBT benefit account with the US Treasury. States usually authorize their EBT contractors to make these draws, although some states draw the cash and pay the concentrator banks themselves. The state is responsible for reconciling the payments made to retailers by its EBT contractor with the amounts drawn from its EBT account with the US Treasury.

States must obtain an examination report by an independent auditor of the state EBT service providers (service organizations) regarding the issuance, redemption, and settlement of benefits under SNAP in accordance with the American Institute of Certified Public Accountants Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization. Appendix VIII to the Supplement provides additional guidance on these examinations and service auditor reports, referred to as a “service organization control (SOC) 1 type 2 report.” In performing audits of SNAP under 2 CFR Part 200, Subpart F, an auditor may use these SOC 1 type 2 reports to gain an understanding of internal controls and obtain evidence about the operating effectiveness of controls.

**F. State Responsibilities**

A state administering SNAP must sign a federal/state agreement that commits it to observe applicable laws and regulations in carrying out the program. Although legislation provides a measure of administrative flexibility, the authorizing legislation remains highly prescriptive. Both the law and regulations prescribe detailed requirements for (1) meeting program goals, such as providing timely service and rights to appeal; and (2) ensuring program integrity, such as verifying eligibility, establishing and collecting claims for benefit overpayments, and prosecuting fraud.

To ensure that states operate in compliance with the law, program regulations and their own Plans of Operation, each state is required to have a system for monitoring and improving its administration of SNAP, particularly the accuracy of eligibility and benefit determinations. This performance monitoring system includes management evaluation reviews, quality control reviews, and reporting to FNS on program performance. State agencies shall conduct management evaluation reviews once every year for large project areas, once every two years for medium project areas, and once every three years for small project areas, unless an alternative schedule is approved by FNS. Projects are classified as large, medium, or small, based on regulations at 7 CFR section 271.2, although states may request approval by FNS to use “management units” instead of project areas for management evaluation reviews. The state must also ensure corrective action in response to the detection of program deficiencies.

**G. Federal Oversight and Compliance Mechanisms**

FNS oversees state operations through an organization consisting of headquarters and seven regional offices. FNS program oversight includes budget review and approval, reviews of financial and program reports and state management review reports, and on- site FNS reviews. Each year FNS headquarters conveys to its regions the concerns that were elevated to the national level through audits or other mechanisms. Regions combine this with their knowledge of individual states to inform the states of possible vulnerabilities to include in their internal management reviews and corrective action plans.

FNS also assesses penalties related to payment accuracy. FNS has other mechanisms to recover losses and the cost of negligence. For other forms of noncompliance, FNS has the authority to give notice and, if improvements do not occur, withhold administrative funds from states for failure to implement program requirements.

USDA’s Office of Inspector General (OIG) has primary responsibility for investigating authorized retailers, but the OIG has delegated most such authority to FNS. Consequently, FNS makes most of the investigations of retailers. The Retailer Investigations Branch of the FNS Retailer Operations Division conducts undercover investigations. FNS also uses EBT transaction data to identify retailers who engage in trafficking. SNAP legislation and regulations provide for sanctions against such retailers, which may be temporary or permanent depending on the severity of the violations. In certain circumstances, monetary penalties may be imposed.

**H. Certification Quality Control System**

SNAP maintains an extensive quality control system required by law and regulation. The system provides state and national measures of the accuracy of eligibility and benefit amount determination (often referred to as payment accuracy), both underpayment and overpayment, and of the correctness of actions to deny, terminate, or suspend benefits.

*1. Measurement*

States are required to select a statistical sample of cases, both active (currently receiving benefits) and negative case actions (benefits denied); review the active cases for eligibility and benefit amount; and review the negative cases for the correctness of the decision to deny benefits. Review methods in this sample are generally more intensive than those used in determining eligibility. States submit findings of all sampled cases, including incomplete and not-subject-to-review cases, to an automated database maintained by the federal government. State quality control data allow a state to be aware on an ongoing basis of its level of accuracy and allow for the identification of trends and appropriate corrective action.

The applicable FNS regional office reviews each state’s sampling plan annually and re-reviews a statistical subsample of the state quality control reviews. The FNS re-review process provides feedback to each state on its quality control system. FNS uses the state’s sample and the FNS subsample in a regression formula (described in regulation) to determine payment error rates and negative case error rates. By law, the payment error rate is the combined value of overpayments and under payments to participating households. The FNS national office also reviews its regional operations and provides technical assistance to assure consistency in the national quality control system.

*2. Corrective Action and Penalties*

Program regulations require corrective action for any of the following reasons: (1) a payment error rate of 6 percent or greater, (2) any negative case error rate that exceeds 1 percent, (3) deficiencies identified from any FNS review, Government Accountability Office (GAO) audit, contract audit, or reports to FNS regarding the implementation of major changes as discussed in 7 CFR 272.15, (4) a result of 5 percent or more of the state’s quality control (QC) caseload being coded as incomplete, or (5) any state agency rules or procedures that lead to under issuances, improper denials, improper suspensions, improper terminations, or improper systemic suspension of benefits to eligible households. FNS maintains an extensive system of technical assistance for states as they develop and implement corrective action. FNS also monitors the implementation of corrective action plans. States with persistently high error rates are assessed fiscal liabilities based on the amount of benefits issued in error.

*3. Implications of Quality Control for the Compliance Supplement*

The SNAP Quality Control system uses an intensive state review of a sample of active cases across the United States to measure the accuracy of SNAP eligibility determinations and benefit amounts. An FNS re-review of a subset of those cases follows. Information from federal program oversight indicates that this sampling system is operating adequately to provide assurances that FNS is measuring the accuracy of eligibility decisions and that these data provide a basis for corrective action to improve the accuracy of eligibility decisions. Therefore, the Quality Control System sufficiently tests individual eligibility in SNAP.

However, in those situations where computer systems are integral to the operation of the program (e.g., automated eligibility determination, the auditor should perform tests as deemed necessary to obtain assurance of the integrity of these systems). In those instances where multiple programs share the same systems (e.g., automated intake systems for TANF, SNAP, Medicaid) testing may be done as part of the work on multiple programs.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### III. Source of Governing Requirements

SNAP is authorized by the Food and Nutrition Act of 2008 (7 USC 2011 et seq.), which replaced the Food Stamp Act of 1977, as amended. This description of SNAP procedures incorporates provisions of the following amendments to the Act: the Food, Conservation, and Energy Act of 2008 (Pub. L. No. 110-246, 122 Stat. 923, enacted June 18, 2008) and the Agriculture Act of 2014 (Pub. L. No. 113-79, 128 Stat. 649, enacted February 7, 2014). SNAP regulations are found in 7 CFR parts 271 through 285.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### IV. Other Information

Note: Generally, E, “Eligibility,” G.1, “Matching,” I, “Procurement and Suspension and Debarment” (with respect to procurement), and N, “Special Tests and Provisions,” apply only to state governments. However, when states have delegated to the local governments functions normally performed by the state as administering agency (e.g., eligibility determination, issuance of SNAP) the related compliance requirements will apply to the local government.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

**Multiple Program COVID-19 Waivers**

Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136), Families First Coronavirus Response Act (the Act) (Pub. L. No. 116-127), the American Rescue Plan Act of 2021 (Pub. L. No. 117-2), and in light of the exceptional circumstances of the ongoing public health emergency, the Food and Nutrition Service (FNS) granted several waivers for [several programs, including the SNAP Cluster] to ease program operations at the state and local levels and minimize the potential exposure to the novel coronavirus (COVID-19).

To view a complete portfolio of waivers, their descriptions, and states elected or requested to implement these waivers, please go to <https://www.fns.usda.gov/> . Each individual waiver contains a link to view the full description along with each state approved to implement the waiver. In addition, copies of individual state waivers are available at the links for each state.

For auditing purposes during this public health emergency, it is recommended that the audit community obtain the list of waivers from the audited state agency and local agency and adapt the audit test steps to reflect these flexibilities. Each waiver offered has reporting requirements that must be adhered to by the state agency. For example, pursuant to section 2202(d) of the Act, each state that elects to be subject to a waiver under section 2202(a)(b)(c) must submit a report to the secretary not later than one year after the date such state received the waiver. The report must include: (1) a summary of the use of this waiver by the state agency and local program operators; and (2) a description of whether and how this waiver resulted in improved services to program participants. Although there is no requirement for auditors to test reporting requirements for waivers applied by the state agency, auditors should be aware of this reporting requirement for each waiver exercised by the state agency. Documentation must be maintained by the state agency summarizing the use of each waiver and how each waiver improved its services to program participants.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, Multiple Program Covid-19 Waivers)*

**Availability of Other Information**

Other program information is available from FNS’s SNAP site at <https://www.fns.usda.gov/snap/supplemental-nutrition-assistance-program>.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

# Part II – Pass through Agency and Grant Specific Information

SNAP is the name for the Food Stamp Program. It stands for the Supplemental Nutrition Assistance Program, and reflects the changes made to meet the needs of their clients, including a focus on nutrition and an increase in benefit amounts.

States are encouraged, but not required, to change their program name to SNAP. Ohio has had authority under temporary law renewed the past two biennia to refer to the program as SNAP.

Additional PRC and SNAP Funds were released in May 2019 for tornados in Ohio. See [FAL 176](https://jfs.ohio.gov/static/ofam/FAL-176-Tornado-Damage-Disaster-Funding.pdf) and [FAL 176B](https://jfs.ohio.gov/static/ofam/FAL176B_Montgomery_06212019.pdf) for additional guidance regarding these funds.

Additional SNAP Program Information can be obtained at <https://jfs.ohio.gov/cash-food-and-refugee-assistance/food-assistance/food-programs/snap-supplemental-nutrition-assistance-program/overview> .

*(Source: ODJFS)*

### Program Overview

**County Structure**

Each County is segregated into the following three areas:

• County Department of Job and Family Services (CDJFS) – Administers the Food Assistance (SNAP) Cluster, TANF, Childcare and Development Fund 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. This agency can be organized in 1 of 4 ways. Regardless of the method of organization, each county has a separately designated CSEA with a responsible director or administrator.

• As a division of a combined county agency under the County Department of Job and Family Services (CDJFS) (which administers some or all of the following programs - the Food Assistance (SNAP) Cluster, TANF, Childcare Cluster, Social Services Block Grant, SCHIP, and Medicaid (i.e. all Public Assistance programs));

• As a division of the Office of the County Prosecutor;

• As an arm of the local Common Pleas Court;

• As a standalone CSEA reporting directly to the county commissioner.

*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. The various CFIS reports indicate grant years so receipt and expenditure of awards is identifiable.

ODJFS has county profiles and web links at <https://jfs.ohio.gov/about/local-agencies-directory/local-agencies-directory> .

**County Collaborations**

**Collabor8**

Collabor8, formed in 2011, is a project that involves nine county department and family services that will work together under a common agreement to process and manage administrative workloads as one project area.

The MOU was extended indefinitely. Harrison County was added, and Delaware County was removed from the participants for SFY 24.  The fiscal sharing splits for SFY 24 & 23, obtained from Collabor8, are below.  This information is unaudited.

Auditors should evaluate for accuracy / reasonableness not only the fiscal split percentages used but also but also any other costs allocated as a result of this collaborative effort. [OAC 5101:4-1-16](https://emanuals.jfs.ohio.gov/CashFoodAssist/FACM/FAH1000/5101-4-1-16.stm) states that ODJFS issues the names of the approved county collaborations that can be found in the food assistance certification manual on the ODJFS website.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **County** | **State Fiscal Year 24****IM Allocations** | **Percentage** | **State Fiscal Year 23****IM Allocations** | **Percentage** |
| Carroll | $     311,681.00  | 7.77% | $     288,586.00  | 7.65% |
| Delaware |  |  |      307,202.00  | 8.14% |
| Hancock |      457,704.00  | 11.42% |      423,853.00  | 11.23% |
| Harrison | 265,788.00 | 6.63% |  |  |
| Holmes |      309,869.00  | 7.73% |      287,118.00  | 7.61% |
| Knox |       461,737.00  | 11.52% |       427,798.00  | 11.34% |
| Marion |      656,029.00  | 16.36% |      607,651.00  | 16.11% |
| Morrow |      309,884.00  | 7.73% |      286,094.00  | 7.58% |
| Sandusky |      486,730.00  | 12.14% |      450,852.00  | 11.95% |
| Wood |      749,550.00  | 18.70% |      693,812.00  | 18.39% |
| Total | $4,008,972.00 |  | $3,772,966.00 |  |

**Joint County Department of Job and Family Services**

Ohio Revised Code § 329.40-329.46 allows for the formation of joint county departments of job and family services. The boards of county commissioners of any two or more counties may enter into a written agreement to form a joint county department of job and family services. Once the agreement is in effect, the department should operate a single new entity replacing the contributing counties JFS offices. The agreements will specify the reporting periods for the new departments, which are not required to be on a 12/31 reporting timeframe. If auditors are aware of the formation of a new district, they should inquire as soon as possible with the district to determine the reporting period that was established. Auditors should familiarize themselves with the ORC code sections mentions and should also obtain the agreement establishing the district; perform a potential component unit evaluation to determine if the district is a legally separate entity and if they are a subrecipient of ODJFS or of the contributing counties. Also, keep in mind ORC 329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to consider whether testing procedures from the Equipment and Real Property Management section are required. Also keep in mind 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 45 CFR 75.318, 75.343, and 75.439(b)(1) (2 CFR 200.311, 200.329 and 200.439(b)(1)). We are aware of two districts that have currently formed. See below. OAC 5101:4-1-16 was updated and designed county collaborations as certification offices responsible for program operations which include, but not limited to: application processing; eligibility determinations; and operation of employment and training programs. Approved counties were removed from the code section and OAC 5101:4-1-16(B) indicates that approved county collaborations can be found in the food assistance change transmittal letters, which can be found in the [food assistance certification manual](https://emanuals.jfs.ohio.gov/CashFoodAssist/FACM/) at the ODJFS website.

1. South Central Job and Family Services District is a combination of Ross, Vinton and Hocking Counties and it is operating on a 6/30 state fiscal year end and,

2. Defiance/Paulding Consolidated Department of Job and Family Services is a combination of Defiance and Paulding Counties, and it is operating on a 12/31 federal fiscal year end.

Per BCFTA Update 2016-07 effective 6/22/16 SNAP Employment and Training (SNAP E&T) program allocations no longer have a liquidation period. All expenditures must be made by 9/30 and final reports are due by 12/31.

**Additional information per ODJFS:**

**•** 7 CFR 272.4 codifies that the SNAP eligibility process cannot be contracted out to subrecipients; however, work and training services can be contracted out to subrecipients. Auditors should review contracts entered into by the County JFS for services to determine if a subrecipient relationship exists. Auditors should also look for recurring expenditures to determine if such a relationship exists without entering into a formal contract.

• Counties cannot adopt policies to broaden or restrict the SNAP (Food Assistance) program, including eligibility of recipients or services provided.

• ODJFS Bureau of Monitoring and Consulting Services (BMCS) performs ODJFS program County compliance reviews. The Counties do receive written results of these reviews. Auditors should consider the results of the reviews for planning purposes.

**Additional information:**

• Counties cannot adopt policies to broaden or restrict programs.

 Specifically, CHIP and Medicaid programs, eligibility of recipients or services provided. Counties must follow the State Plan. The State Plan is available on the [ODM website](http://medicaid.ohio.gov/MEDICAID101/MedicaidStatePlan.aspx).

• The state has adopted statutes (in the Ohio Revised Code) and rules (in the Ohio Administrative Code) that implement the federal IV-D program requirements as the federally required state plan (see 45 CFR 302). These state statutes and rules provide guidance to the CSEAs regarding their activities. Local programmatic discretion is generally limited to their decisions the enforcement of support obligations.

• ODJFS Bureau of Monitoring and Consulting Services (BMCS) performs ODJFS program County compliance reviews. The Counties do receive written results of these reviews. Auditors should consider the results of the reviews for planning purposes.

**This is a brief description of the Fiscal Process:**

The County JFS receives different types of Funding:

1. Mandated Share - not applicable for all grants.

 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. Mandated share is calculated by ODJFS and ODJFS enters the amounts for each funding source as a budget into the CFIS (fiscal computer system). 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 enter their expenditures monthly and submit their expenditures quarterly 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 of when the county paid the $1,200.)

Per [OAC 5101:9-6-31](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-31.stm), Commissioners are required to appropriate the County Share of Public Assistance Expenditures and the Mandated Share Budget. The County’s total Mandated Share Budget is limited to a maximum of 105% of the county’s preceding SFY mandated share.

2. Federal Allocation – There are two ways federal monies are allocated by the State:

• Allocation specific to the grant – Adoption, Foster Care, Childcare Block Grant, Social Services Block Grant and TANF receive allocations specific to their grants. These allocations are based on mandated methodology guidelines, including demographics, expenditure 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 via the CFIS web system.

• Social Services Block grant receives a Title XX Federal social services allocation ([OAC 5101:9-6-12](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-12.stm), [OAC 5101:9-6-12.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-12-1.stm) and [OAC 5101:9-6-12.4](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-12-4.stm)).

• Adoption Assistance receives an initial pass-through Title IV-E allocation as described below for Title IV-E services. There is no cap on these dollars. Counties are reimbursed based on reported expenditures.

• Adult Protective Services (APS) Allocations are addressed in [OAC 5101:9-6-14](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-14.stm).

• Adult services and family services training allocation are administered through [OAC 5101:9-6-14.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-14-1.stm).

• Childcare Block Grant receives Childcare Funding Allocation for the administrative costs of providing publicly funded childcare. (See [OAC 5101:9-6-11](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11.stm) & [5101:9-6-11.2](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11-2.stm)). These allocations consist of Federal monies. Once those allocations are exhausted, the county must use other allowable federal, state or local monies to administer the program.

• Foster Care receives a Title IV-E allocation for Title IV-E services on a reimbursement basis.

• ODJFS issues initial pass-through allocations based on the greater of:

a. The average expenditures of the last two years reported expenditures: or

b. The total of the last four completed quarters’ reported expenditures.

An agency with no reported expenditures over either time period will receive a minimum budget ([OAC 5101:9-6-44](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-44.stm)). An agency may request an increase at any time during the fiscal year. Counties receive notification of their allocation via CFIS Web. This section does not apply to allocations issued pursuant to [OAC 5101:9-6-11](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11.stm) & [5101:9-6-11.2](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-11-2.stm).

3. Income Maintenance (State Allocation 600-652 monies)

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). There are two IM allocations. One allocation for administrative expenditures incurred in the administration of the supplemental nutrition assistance program (SNAP), and a separate allocation for medical assistance (MA) including the Medicaid program and the state children's health insurance program (SCHIP) on behalf of the Ohio Department of Medicaid. IM amounts for each county are also entered into CFIS as budgets by ODJFS. County JFS offices can request to move funding between the allocations. The request must be submitted to ODJFS no later than the last day of the liquidation period. A County JFS may also elect to transfer all or a portion of its IM allocations to the CSEA. Clarification on the two separate IM allocations is included in [OAC 5101:9-6-05](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-05.stm).

Non-Emergency Transportation (NET), Pregnancy Related Services and Healthchek Services Funding Rule is under [OAC 5101:9-6-44.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-44-1.stm).

[OAC 5101:9-6-05](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-05.stm) states that Federal SCHIP funding is passed through to the CDJFS at the current Affordable Care Act's (ACA) enhanced federal MA percentages. The CDJFS may move eligible expenditures in excess of this allocation to the county's income maintenance (IM) allocation by performing a coding adjustment. The state share will be charged to the county's IM allocation and the federal share will be charged to the federal Medicaid pass-through funding. If a county exceeds the IM allocation, the CDJFS shall provide matching funds in order to qualify for federal pass-through funding.

[OAC 5101:9-6-05](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-05.stm)(I) states the CDJFS may provide all or a portion of its IM allocations to the CSEA for use in meeting matching funding requirements for the Title IV-D program or to reimburse the county for administrative expenditures incurred in the administration of the child support program.

4. Program Specific State Allocations

In addition to their County JFS allocations, there are two opportunities for County agencies to release or receive monies: 1) In accordance with 5101:9-6-82 of the Administrative Code, county agencies 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 accordance with 5101:9-6-02 of the Administrative code, there are at least 2 opportunities in the fiscal year in which they can apply for additional funds or release excess funds for re-distribution to other counties. In this case, the County JFS must indicate need and ODJFS may provide additional funds as made available by other counties; however, the pass-through allocations are not included in either process. 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. Note: The Ohio Department of Job and Family Services developed a process to allow for specific allocated funds to be exchanged between counties. The process is detailed in rule [5101:9-6-82](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-82.stm) of the Administrative Code.

For most grants, the County JFS can draw down funds on a weekly basis from the ODJFS. However, federal grants received by the Public Children Services Agency (PCSA) (Adoption Assistance and Foster Care) are reimbursement grants. The County JFS agency draws down an advance of funds for anticipated needs. Quarterly adjustments are made for the differences between funds drawn and actual expenditures.

County JFS submit quarterly data via CFIS. There is a quarterly reconciliation process performed by ODJFS. See [OAC 5101:9-7-01](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01.stm) and [5101:9-7-01.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01-1.stm) for additional information on the financing, reconciliation and closeout procedures for PCSA grants. See [OAC 5101:9-7-03](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03.stm) and [OAC 5101:9-7-03.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03-1.stm) for additional information on the financing, reconciliation and closeout procedures for PA Grants. See [OAC 5101:9-7-02](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-02.stm) and [5101:9-7-02.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-02-1.stm) for additional information on the financing, reconciliation and closeout procedures for CSEA Grants. Auditors should review these sections for specific details on this process. Counties are still required to submit monthly financial data as an upload in CFIS no later than the eighteenth day of the month following the month of the transaction ([OAC 5101:9-7-29](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-29.stm)).

The reconciliation process with CFIS Web is reflected in [OAC 5101:9-7-01.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-01-1.stm), [OAC 5101:9-7-02.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-02-1.stm) and [OAC 5101:9-7-03.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-03-1.stm). The CDJFS has access to system reporting throughout the quarter in order to make ongoing adjustments/corrections. County JFS enters expenditures monthly into CFIS Web and submit to OAKS quarterly. The CDJFS is given five business days after the eighteenth day of the month following the last month of the quarter to review reports for accuracy. No later than five business days after the eighteenth day of the month following the last month of the quarter, the CDJFS shall submit any final adjustments and/or revisions to OAKS. When the eighteenth day of the month falls on a weekend or state recognized holiday, the CDJFS shall submit on the first business day following the weekend or recognized holiday. Once the five-day review period is complete, ODJFS suspends reporting access in OAKS for the closing quarter in order to begin the quarter reconciliation process. The CDJFS can complete adjusting draws in CFIS prior to the end of the five-day review period. The Ohio department of job and family services (ODJFS) notifies the CDJFS when the quarter reconciliation process is completed. The CDJFS shall review reports for accuracy and immediately notify ODJFS of any discrepancies. ODJFS reconciles refunds and collections at the end of each quarter. ODJFS reconciles state funded allocations and federally funded subgrants at the end of their period. The period of performance includes the funding period and the liquidation period.

OAC 5101:9-7-29 states that once the quarter is closed and complete, the CDJFS submits their signed quarterly financial statement of expenditures to ODJFS via e-mail by the 10th day of the second month following the quarter the statement represents.

The CFIS Web 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. Auditors should check to see if the information uploads to the County Auditor’s system accurately by reconciling Form 2827 to the County Auditor’s & JFS records.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

For most programs, expenditures are drawn down and expended based on State and Federal financial participation percentages. For SNAP (Food Assistance), except for Food Assistance Employment and Training (formally FAET or FSET) expenditures, the Federal share is 50% (See Section G) 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. SNAP E&T expenditures do not require a matching share. SNAP Employment and Training is coded separately in CFIS and is 100% Federal reimbursement (see [OAC 5101:9-6-09](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-09.stm)).

SNAP E&T operating funding is authorized under [OAC 5101:9-6-09.3](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-09-3.stm) and participant allowance under [OAC 5101:9-6-09.4](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-09-4.stm). [5101:9-6-09.3](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-09-3.stm). allows a CDJFS to move excess expenditures from the FAET allocation to the FAET operating allocation by performing a post allocation adjustment. The adjustments can be either moving 50% of the ceiling excess to the SNAP E&T operating allocation or moving 50% of the ceiling excess to the FA income maintenance allocation as outlined in rule [5101:9-6-02](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter06/5101-9-6-02.stm).

ODJFS will allocate the SNAP E&T Participation Allowance in accordance with Fiscal Administrative Procedure Letter No. 98.

See [FAL #196](https://jfs.ohio.gov/static/ofam/FFY-2022-ABAWD-FAL-196-09212021.pdf) for guidance on Federal Fiscal Year 2022 Able-Bodied Adults without Dependents work program waivers.

See [FAL #205](https://jfs.ohio.gov/static/ofam/FAL-205-FFY-2023-ABAWD.pdf) for guidance on Federal Fiscal Year 2023 Able-Bodied Adults without Dependents work program waivers.

FAPL #211 will be posted in the future for FFY2024.

See [FAPL No. 34](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/FAPL/FAPL-34.stm), Abnormal or Mass Severance Pay regarding costs associated with county lay-off of staff.

*(Source: ODJFS)*

### Testing Considerations

Since each County could conceivably have a different plan with varying eligibility requirements, services offered, etc., there is no effective way to incorporate testing for all Counties in this FACCR. In addition, Counties can amend their plan at will. Auditors will need to tailor this FACCR in accordance with the plan(s) in effect during their audit.

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, CCDF  | 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)  |

These reports are in CFIS Web.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

*For an overview of requirements tested by program at the state level, see* [*JFS list of Programs and Applicable Requirements 2023*](https://ohioauditor.gov/references/docs/JFS_List_Programs_and_Applicable_Requirements_2023.xlsx).

### Information systems, including a description on how they operate (i.e. Statewide automated eligibility system, CFIS Web, CFIS Web LR)

**Computer Systems**

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

* SACWIS - SACWIS is the statewide computer application use in support of day-to-day child welfare job tasks. The acronym “SACWIS” stands for Statewide Automated Child Welfare Information System.

SACWIS is a statewide comprehensive case management computer system designed to automate the delivery of child welfare services. The system was designed to help you and other county, state, and private agency workers share information, manage your workloads, and maintain accurate data for decision making. SACWIS is administered by the Ohio Department of Job and Family Services (ODJFS), in partnership with the state’s 88 Public Children Services Agencies (PCSAs). The system’s mission is to support service delivery and practice for the safety, permanency, and well-being of children and families.

SACWIS is used at the county level to:

* + Document intake and case information;
	+ Determine IV-E eligibility and reimbursement;
	+ Maintain services;
	+ Manage provider information, licensing, and payments;
	+ Process adoptions and subsidies;
	+ Make payments to private agencies, and
	+ Maintain private agency service contracts.
* Statewide automated eligibility system - Used primarily to determine eligibility and benefit amounts for Food Assistance, TANF, SCHIP, Childcare 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. Through an interface the data is sent to another system, Time, Attendance and Payment (TAP) system. ODJFS website gives specific statewide automated eligibility system reporting tools for County PRC programs at <https://jfs.ohio.gov/cash-food-and-refugee-assistance/cash-assistance/cash-programs/prevention-retention-and-contingency-prc-program/web-reporting-tool>.
* TAP tracks attendance and calculates the amount to be paid to the childcare program. Through another interface TAP sends data back to Ohio Finance Information System (OFIS). Payments are made to programs through OAKS.
* Title XX Social Services Block Grant (SSBG) Reporting System - Pursuant to 45 C.F.R. part 96, states are required to report services provided by the CDJFS, using federal, state or local social services funds. The CDJFS may provide services through compact services, direct services, purchased services, or grant agreements as defined in rule 5101:2-25-02 of the Administrative Code. The purpose of the SSBG quarterly summary reporting system is to collect social services expenditure data by county each quarter in order to complete annual federal reporting as mandated in 42 U.S.C. 1397e. Each CDJFS shall enter required service and expenditure data in the SSBG reporting system no later than the thirtieth day of the month following the last month of the quarter, e.g., October thirtieth for the July through September time period.
* CFIS – (County Finance Information System) July 1, 2009, County JFS finance offices began using CFIS, which drives the financial reporting (Forms 2827, 2750, and 2820, RMS activity, etc.). The CFIS application became a web-based application in 2012. The current and archived CFIS information can be accessed at the County JFS site. At the county level, financial data is imported (pulled) from templates or from interfaced systems like WebRMS into the CFIS Web reporting system. Information flows from the county system through CFIS and up to OAKS. Each grant is coded separately. ODJFS has a spreadsheet for coding in CFIS. ODJFS updates this information each year.

*DITA will be testing CFIS Web (including the RMS System used to track Random Moment Sampling activity and allocation of program expenditures). A recap of that work performed, and any user control considerations will be sent out when available for 2023.*

*The OAKS general controls portion tested as part of the Statewide SSAE 16 SOC 1 engagement will continue to be on a state fiscal year (6/30).*

* County JFS fiscal offices use CFIS Web 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. The State Region does not look at these types of programs. In 2015 ODJFS made available to its subrecipients the CFIS Web Ledger Reporting (LR) system.
* The list of allowable PAA's has been added to several times since BCFTA update # 2011-17 was issued on 3-24-11, the new CFIS Web Report CR112 shows all the valid PAA’s, and agencies can print this report.
* With the implementation of CFIS Web, ODJFS has developed a new process to replace the function of the Configuration File. The new process is called “Adjustment to a Prior Period Allocated and Approved Expenditure” or APAA. Agencies will utilize this process in instances where an adjustment needs to occur and direct coding is not available (i.e. audit, ERIP, and errors). This process can be initiated by the local agency or by ODJFS and is recorded on form JFS 01179.

ODJFS does not grant auditors of County JFS programs access to the JFS systems. ODJFS encourages County JFS offices to cooperate with audit requests.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Reporting

*Example SEFA and Footnote shells, the “Single Audit SEFA 2023 Completeness Guide” and additional resources are available for AOS Staff on the Intranet and for IPAs on the* [*IPA Resource Internet Page*](http://www.ohioauditor.gov/references/practiceaids.html)*.*

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and auditors) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.

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

**Source of Governing Requirements**

The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

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

**Part 4 OMB Program Specific Requirements**

Funds made available for administrative costs must be used to screen and certify applicants for program benefits, issue benefits to eligible households, conduct fraud investigations and prosecutions, provide fair hearings to households for which benefits have been denied or terminated, conduct nutrition education activities, prepare financial and special reports, operate automated data processing (ADP) systems, monitor subrecipients (where applicable), and otherwise administer the program. Portions of the award made available for specific purposes, such as ADP systems development or Employment and Training (E&T) activities, must be used for such purposes (7 CFR Part 277).

SNAP-Ed funds must be used for the administrative costs of planning, implementing, operating, and evaluating a SNAP-Ed program in accordance with the state’s approved SNAP-Ed Plan. However, the state agency is prohibited from obligating additional federal funds for SNAP-Ed activities (7 CFR section 272.2(d)(2)).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

**ODJFS Program Specific Requirements**

**RMS**

The following transmittal letters communicate the most recent changes to the OAC rules concerning the web-based RMS system:

* [OAC 5101:9-7-23](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-23.stm) Child Support Random Moment Sample (RMS) Time Study – See code section for tracked changes.
* [OAC 5101:9-7-20](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-20.stm) Income Maintenance, Workforce, Social Services, and Child Welfare Random Moment Sample (RMS) Time Studies – See code section for tracked changes.

See also BCFTA Web WebRMS reports at:

* [FTE Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/FullTimeEquivalentFTEManual_RevJun2021.pdf)
* [RMS Desk Guide](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSDeskGuide_2020.pdf)
* [RMS Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSManual.pdf)
* Project Account Definitions
	+ [CSEA](http://ohioauditor.gov/ipa/UniformGuidance/2023/CSEA_2750_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PA_2827_Project_Acct_Definitions_Nov2023.xlsx)
	+ [PCSA](http://ohioauditor.gov/ipa/UniformGuidance/2023/PCSA_2820_Project_Accts_Definitions_Nov2023.xlsx)

The RMS observations are time studies which are designed to measure county staff activity regarding income maintenance and social services programs. Studies are completed on a quarterly basis by all positions performing directly related program functions, with the exception of positions performing administrative support or supervisory functions unless the person actually provides direct services. The RMS system selects the staff sample for completing the RMS from the roster of FTEs entered into the RMS 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 ODJFS 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.

**RMS sample sizes required per OAC:**

**IMRMS/SSRMS/CWRMS:** [OAC 5101:9-7-20](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-20.stm)(G) – effective 12/1/2019

**CSRMS:** [OAC 5101:9-7-23](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-23.stm)(G) – effective 12/1/2019

|  |  |  |
| --- | --- | --- |
| RMS Type | Agency Size | # of Observations |
| Income Maintenance (IMRMS) | Ten County Agencies with the Largest IM Cost Pool Expenditures | Minimum of 2,300  |
| Income Maintenance (IMRMS) | All Other County Agencies | Minimum of 354 |
| Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct, WF | 1-10 Participating Positions | Minimum of 33 per worker |
| Social Services (SSRMS), Child Welfare (CWRMS), Juvenile Ct, WF | 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) | 1-10 Participating positions | Minimum of 33 per worker |
| Child Support (CSRMS) | 11 or more Participating positions | Minimum of 354 |

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

*County testing will primarily consist of the following:*

* *Administrative expenses*
* *FTE/RMS/Cost pools*
* *Program Direct expenditures*

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

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

FTE reporting is accomplished on CFIS Web form CR 445.

|  |
| --- |
| **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, CCDF  | 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)  |

These electronic reports are in CFIS Web.

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

Auditors will need to test both FTE reporting and RMS.

Auditors can determine population for RMS testing from a summary report for the quarter on CFIS that uploads from 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 Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) (non-NET contract) activities. Auditors should review this plan when testing EPSDT expenditures.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
2. Determine whether Federal awards were expended only for allowable activities.

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

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):***Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):***Person(s) responsible for performing the control procedure** *(Title):***Description of evidence documenting the control was applied** *(i.e. sampling unit):***Questions that may help in documenting the above control requirements:***The County/District JFS Policies should document controls for meeting compliance requirements. Auditors should review the information provided by the County/District JFS to gain an understanding of the procedures in place.*1. Does the County/district JFS pay expenditures to the County via a CAP?
2. How does the County ensure only applicable costs are included in the CAP?
3. What procedures does the County/district JFS have in place to ensure they are only paying for allowable activities?
4. What controls does the County/district JFS have to ensure costs are not paid through the CAP and directly to the County/Fiscal Agent?
5. What procedures does the County/district JFS have in place for only allowable costs input into CFIS?
6. What procedures does the County/district JFS have to ensure administrative employees / costs are not reported as part of RMS, unless these employees provide direct services?
7. How does the County ensure that:
* Employees are properly completing the RMS observation;
* Documentation is available to support the program and activity claimed;
* Observations for absent employees are properly completed;
* FTE allocations for the shared cost pool are correct;
* Employees are assigned to the correct cost pool; and
* Employees are completing the correct RMS observation.
1. Interview the RMS Coordinator. Document RMS coordinator name and date of interview. Document any weaknesses noted. Interview could include questions such as the following:
	1. Are you familiar with the RMS procedures summarized in the [RMS User Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSManual.pdf)?
	2. What is your role in the RMS process?
	3. What do you do if you receive an RMS observation for an employee who no longer works in your office?
	4. How do you ensure the observation is filled out correctly?
	5. Have you received any special training or instructions on RMS procedures within the past 12 months?
	6. How do you complete the RMS control sample? What is the purpose of the control sample?
2. Interview case workers who participate in RMS. Document employee name and date of interview. Interview could include questions such as the following:
	* 1. Are you familiar with the RMS procedures summarized in the [RMS User Manual](http://ohioauditor.gov/ipa/UniformGuidance/2023/RMSManual.pdf)?
		2. What do you do when you receive an observation?
			1. Complete immediately
			2. Hold until appropriate time
			3. Complete at my convenience
			4. Other (explain)
		3. What items need to be completed for the observation?
			1. What program you are working with
			2. Activity code
			3. Case number (or unique identifier)
			4. Comment section completed
 |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.*Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*2. When allowability is determined based upon summary level data, perform procedures to verify that:a. Activities were allowable.b. Individual transactions were properly classified and accumulated into the activity total.\*3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities.***Additional ODJFS Steps***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.7. In conjunction with Allowable Costs/Cost Principles in Section B, determine if the disbursements met 45 CFR 75 Subpart E (2 CFR 200 Subpart E Cost Principles).Other Attributes:* Charges were properly coded.
* Voucher was properly computed.
* Invoice amount agrees to voucher amount
* Invoice date precedes voucher date.
* If a reimbursement, reimbursement was not claimed greater than 21 months following the payment of the expenditure.
* Payments can be made on behalf of eligible and non-eligible children, allowable activities and non-allowable activities per federal terms and conditions.

**CAP (see also CAP testing in Section B)**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/district JFS expenditures.

**FTE Reporting- the roster is uploaded through the WebRMS system (See** [**OAC 5101:9-7-23**](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-23.stm) **&** [**5101:9-7-20**](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-20.stm) **for additional information.)**1. Determine if the number of FTE by program area category is consistent with the payroll in the previous quarter.
2. Select 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.)

**RMS** 1. Determine RMS cost pools that require testing (i.e. Income Maintenance, Social Services, Child Support, Child Welfare).
2. 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 3):
	1. High instances of un-funded codes
	2. Large variances (over 20%) in RMS coding between quarters
	3. Distribution of RMS codes between programs
3. The information that was previously included in the County RMS Sample Reference list (the list was a recap from ODJFS of the RMS observations information input into the system by the County/district JFS) is available in the WebRMS system.
	* Determine if the required number of observations were performed.
4. Obtain RMS observations for each cost pool being tested (i.e. Income Maintenance, Social Services, Child Support, Child Welfare)

Select one sample of observations across all applicable cost pools, test for the following attributes and note any exceptions.* + 1. Observation includes a case number or other identifier.
		2. Observation includes the activity, where applicable
		3. Determine if documentation exists to substantiate the claimed program and/or activity on the RMS sample observation.
		4. Employee must respond to the observation within 48 business hours.
		5. The RMS Coordinator reviewed and approved all observation moment responses within 72 hours.
		6. If the observation had been flagged as part of the quality assurance control group, determine the supervisor/supervisor designee validated the response within the same forty-eight-hour response period that is available to the employee.   Also, determine if it was approved by the supervisor/supervisor designee, and that the response was accepted by the RMS coordinator.
		7. No unauthorized or vacant positions were included in the RMS sample.
		8. Obtain payroll listing with job titles and compare to RMS observations completed.

Review job duties from observation and / or interview with employeeMatch job activities from RMS with job descriptions in personnel file* + 1. If employee is an administrative or supervisory, determine whether they are appropriately completing the RMS observations.

Administrative support employees can participate in RMS if they provide direct services 50% of the time.Supervisory employees can participate in RMS if they provide direct services over 50% of the time.**Reminder:** Auditors should not put confidential information in the current working papers and should follow established procedures for protection of confidential information. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
 |

## B. ALLOWABLE COSTS/COST PRINCIPLES

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

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

*FACCR Section B includes five distinct testing sections, the first of which is always applicable.*

1. *Cost Principles for States, Local Governments, and Indian Tribes – testing guidance and steps included in FACCR, not separate testing document.*

*Auditors* ***must*** *evaluate if additional section(s) are applicable to their Entity, including sources reviewed to verify applicability. For additional sections, auditors must pull the testing section(s) into their working papers and test accordingly.*

*Additional testing sections are located* [***here***](https://ohauditor.sharepoint.com/sites/Intranet/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x0120002FFBFB1F4A3C3F47AE37C7A44E1C1EDE&id=%2Fsites%2FIntranet%2FShared%20Documents%2FAudit%5FResources%2FFederal%2FFACCRs%20and%20IRAFs%2F2023%2FSection%20B%20Addenda&viewid=68cb3ab2%2D567e%2D456a%2D975c%2Da88f3e9c3727)*for AOS auditors and* [***here***](https://ohioauditor.gov/references/practiceaids/faccrs.html) *for IPA auditors.*

1. *De Minimis Indirect Cost Rate*
	1. *This section must be tested if the Entity utilizes the de minimis indirect cost rate to charge indirect costs to the grant, whether as a recipient or subrecipient.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents.**
2. *Allowable Costs – State/Local Government-wide Central Service Costs*
	1. *This section must be tested if the Entity allocated costs to the grant using central service cost allocation plans (CAPs).*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents.**
3. *Allowable Costs – State Public Assistance Agency Costs*
	1. *This section must be tested if the Entity charged state public assistance agency costs to the grant.*
		1. *State public assistance agency costs are defined as (1) all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for service and goods provided directly to program recipients and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP).*
		2. *This may be applicable at the local level if local entities perform procedures to support the State compliance (For example, this may occur with JFS programs)*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents.**
4. *Cost Principles for Nonprofit Organizations*
	1. *This section must be tested if the Entity is a nonprofit organization.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents.**

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

*The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of the Federal award contracts or grant agreements pertaining to the program.*

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

1. States, local governments and Indian tribes
2. Institutions of higher education (IHEs)
3. Nonprofit organizations

As provided in 2 CFR 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR 200.101(e) (see Appendix I of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR Part 200, Subpart E, but are subject to the requirements [45 CFR Part 75, Appendix IX](http://ohioauditor.gov/ipa/UniformGuidance/2023/45_CFR_Part_75.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR Part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 2 CFR Part 200, Subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR Part 200, Appendices III-VII as follows:

* Appendix III to Part 200—Indirect (F&A) Const Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs)
* Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
* Appendix V to Part 200—State/Local Government-Wide Central Service Cost Allocation Plans
* Appendix VI to Part 200—Public Assistance Cost Allocation Plans
* Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

Except for the requirements identified below under “Basic Guidelines,” which are applicable to all types of non-Federal entities, this compliance requirement is divided into sections based on the type of non-Federal entity. The differences that exist are necessary because of the nature of the non-Federal entity organizational structures, programs administered, and breadth of services offered by some non-Federal entities and not others.

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

**Basic Guidelines**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.

2. Conform to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E or in the Federal award as to types or amount of cost items.

3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.

4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in 2 CFR Part 200.

6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.

7. Be adequately documented.

**Selected Items of Cost**

2 CFR 200.420 - 200.476 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 2 CFR 200.402 - 200.411.

[List of Selected Items of Cost Contained in 2 CFR Part 200](http://ohioauditor.gov/ipa/UniformGuidance/2023/Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

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

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

***Written Procedure Requirements:***

*2 CFR 200.302(b)(7) requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award.*

*2 CFR 200.430 states that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.*

*2 CFR 200.431 requires established written leave policies if the entity intends to pay fringe benefits.*

*2 CFR 200.464(a)(2) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.*

*2 CFR 200.475 requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

*Sections A & B are most often test together using the same sample. See also Section A.*

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 (45 CFR 75 Subpart E and 2 CFR 200 Subpart E). 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 (if it is assignable to each program), 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 and (is not assignable to individual programs), 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.

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 arm’s length transactions (see example rent issue discussed below).

County family services agencies are not authorized under Ohio law to hold title to real properly; however, joint county departments of Job and Family Services organized under ORC § 329 can 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 45 CFR 75.465 (2 CFR 200.465). 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.

County Family Service Agency shall review rental/lease agreements periodically to determine if circumstances have changed and other options are available.

If the County JFS rents facilities from the board of county commissioners, they are subject to additional restrictions under 45 CFR 75.465 (2 CFR 200.465). 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 45 CFR 75.465 (2 CFR 200.465), and the excessive amount would not be an allowable cost to federal programs.

Please note if the County capitalizes the interest, they can’t charge the JFS depreciation + interest as this would result in the County double-charging for the interest.

See also [OAC 5101:9-4-11](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-11.stm), Rental Costs and Lease Agreements for the rule governing this requirement.

Note: ORC § 329.44 allows for JFS Districts to hold title to real property. Auditors will need to evaluate if the district is holding title to real property and will need to import testing procedures from the General boilerplate FACCR. Also keep in mind 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 45 CFR 75.318, 75.343 and 75.439 (2 CFR 200.311, 200.329 and 200.439).

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Cost Principles for States, Local Governments and Indian Tribes

### OMB Compliance Requirements

**Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

**Indirect Costs**

*Allocation of Indirect Costs and Determination of Indirect Cost Rates*

1. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
	1. *Simplified Method* – This method is applicable where a governmental unit’s department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in 2 CFR Part 200, Appendix VII, paragraph C.2.
	2. *Multiple Allocation Base Method* – This method is applicable where a governmental unit’s department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to 2 CFR Part 200, Appendix VII, paragraph C.3.)
	3. *Special Indirect Cost Rates* – In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs (e.g., the physical location of the work, the nature of the facilities, or level of administrative support required). (For the requirements for a separate indirect cost rate, refer to 2 CFR Part 200, Appendix VII, paragraph C.4.)
	4. *Cost Allocation Plans* – In certain cases, the cognizant agency for indirect costs may require a state or local government o unit’s department or agency to prepare a CAP instead of an ICRP. These are infrequently occurring cases in which the nature of the department or agency’s federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in such cases consist of narrative descriptions of the methods the department or agency uses to allocate indirect costs to programs, awards, or other cost objectives. Like an ICRP, the CAP either must be submitted to the cognizant agency for indirect cost for review, negotiation, and approval, or retained on file for inspection during audits.

*Submission Requirements*

1. Submission requirements are identified in 2 CFR Part 200, Appendix VII, paragraph D.1. All departments or agencies of a governmental unit claiming indirect costs under federal awards must prepare an ICRP and related documentation to support those costs.
2. A state/local department or agency or Indian tribe that receives more than $35 million in direct federal funding must submit its ICRP to its cognizant agency for indirect costs. Other state/local government departments or agencies that are not required to submit a proposal to the cognizant agency for indirect costs must develop an ICRP in accordance with the requirements of 2 CFR Part 200 and maintain the proposal and related supporting documentation for audit.
3. Where a government receives funds as a subrecipient only, the pass-through entity will be responsible for the indirect cost rate used (2 CFR section 200.331(a)(4)).
4. Each Indian tribe desiring reimbursement of indirect costs must submit its ICRP to the DOI (its cognizant agency for indirect costs).
5. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in 2 CFR Part 200, Appendix VII, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 2 CFR section 200.333(f).

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 2 CFR 200.1\_Cognizant\_Agency.

For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally the Federal agency with the largest value of direct Federal awards (excluding pass-through awards) with a governmental unit or component, as appropriate. In general, unless different arrangements are agreed to by the concerned Federal agencies or described in 2 CFR Part 200, Appendix V, paragraph F, the cognizant agency for central service cost allocation plans is the Federal agency with the largest dollar value of total Federal awards (including pass-through awards) with a governmental unit.

Once designated as the cognizant agency for indirect costs, the Federal agency remains so for a period of 5 years. In addition, 2 CFR Part 200, Appendix V, paragraph F, lists the cognizant agencies for certain specific types of plans and the cognizant agencies for indirect costs for certain types of governmental entities. For example, HHS is cognizant for all public assistance and State-wide cost allocation plans for all States (including the District of Columbia and Puerto Rico), State and local hospitals, libraries, and health districts and the Department of the Interior (DOI) is cognizant for all Indian tribal governments, territorial governments, and State and local park and recreational districts.

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

#### Audit Objectives and Control Tests: Allowable Costs –– Direct and Indirect Costs

The individual State/local government/Indian tribe departments or agencies (also known as “operating agencies”) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement **under** Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 2 CFR Part 200, Subpart E.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate. The indirect costs include (1) costs originating in the department or agency of the governmental unit carrying out Federal awards, and (2) for States and local governments, costs of central governmental services distributed through the State/local government-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to 2 CFR Part 200, Appendix VII, paragraph B).

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

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

**Audit Objectives: Direct Costs**

1. Determine whether the organization complied with the provisions of 2 CFR Part 200 as follows:
2. Direct charges to federal awards were for allowable costs.
3. Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

**Audit Objectives: Indirect Costs**

1. Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. The methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs (e.g., all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs).
4. Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA).
5. For State/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than $35 million in direct Federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

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

***Additional Control Test Objectives for Written Procedures***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires written policies for the requirements outlined in 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
	+ *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
	+ *2 CFR 200.430 for allowability of compensation costs.*
	+ *2 CFR 200.431 for written leave policies.*
	+ *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
	+ *2 CFR 200.475 for travel reimbursements.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
	+ *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
	+ *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.*
		- *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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

#### Suggested Substantive Audit Procedures – Compliance – Direct and Indirect Costs

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.****Direct Costs*** \*Test a sample of transactions for conformance with the following criteria contained in 2 CFR Part 200, as applicable:1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable.
2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 2 CFR 200.407 for selected items of cost that require prior written approval).
3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).

d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 2 CFR Part 200, Subpart E.e. Costs conformed to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E, or in the Federal award as to types or amount of cost items.*While several selected items of cost are included in Exhibit 1, one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.j. Costs were adequately documented.***Indirect Costs***a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.(1) Test a sample of transactions for conformance with:(a) The criteria contained in the “Basic Considerations” section of 2 CFR 200.402 - 200.411.(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).*While several selected items of cost are included in Exhibit 1, one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*(2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Testing_the_ICRP_discussion.pdf)*)*(1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.(2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR Part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 2 CFR Part 200, Subpart E:(a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR Part 200.(i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).(ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.(iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.(b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR Part 200 and produce an equitable distribution of costs.(i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.(ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.(iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).(c) *Other Procedures* (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 2 CFR 200.430 for additional information on support of salaries and wages.)(ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.(3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:(a) Obtain and read the current ICRA and determine the terms in effect.(b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).(4) *Other Procedures* – No Negotiated ICRA(a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. When the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.(b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.****This box should include results of applicable additional testing sections as determined at the beginning of Section B.***1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## G. MATCHING, LEVEL OF EFFORT, EARMARKING

### OMB Compliance Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

**Source of Governing Requirements**

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

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

**Part 4 OMB Program Specific Requirements**

**1. Matching**

*There are no Program Specific OMB Compliance Supplement requirements for this compliance requirement at the Local Level. However, in order for ODJFS to comply with the state requirements, Counties do need to follow the requirements contained in the next section – Additional Program Specific Information.*

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

**3. Earmarking** - Not Applicable

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

The Fiscal Administrative Procedure Manual outlines FAET funding. There are there FAET allocations: (1) FAET 100% which is 100% federal funding; (2) FAET Operating which is 50% federal and 50% match. A county is allowed to move FAET 100% expenditures ONLY to this allocation; (3) FAET Participant Allowance which is 50% federal and 50% state/local. These expenditures are not allowable FAET 100% or FAET Operating expenditures.

For SNAP administrative expenses, the Federal Share is 50% so the County JFS would be reimbursed 50% from the Federal share and use 50% from State (IM) or use local monies for match requirements. 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 or other allowable GRF allocations. 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.

*(Source: ODJFS)*

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

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

OAC [5101:9-7-50](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter07/5101-9-7-50.stm) Program Funding details allowable sources for matching funds.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. *Matching* – Determine whether the minimum amount or percentage of contributions or matching funds was provided.

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

**Control Documentation and Testing**

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

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)***1.** **Matching**a. Perform tests to verify that the required matching contributions were met.b. Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source.c. Test records to corroborate that the values placed on in-kind contributions (including third party in-kind contributions) are in accordance with 2 CFR 200.306, 200.434, and 200.414, and the terms and conditions of the award.d. Test transactions used to match for compliance with the allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable costs/cost principles.**2. Level of Effort – *Not Applicable*** **3. Earmarking – *Not Applicable***  |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## I. PROCUREMENT AND SUSPENSION AND DEBARMENT

### OMB Compliance Requirements – Procurement

***Procurement—Grants and Cooperative Agreements***

*Non-Federal Entities Other than States*

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR 200.317 - 200.327. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-Federal entity must:

1. Meet the general procurement standards in 2 CFR 200.318, which include oversight of contractors’ performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.

2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR 200.319.

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed $10,000 ($2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold ($250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR 200.320(b)).

4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR 200.320(b); the competitive proposals method under the conditions specified in 2 CFR 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR 200.320(c).

5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR 200.324(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR 200.324(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.326. These provisions are described in Appendix II to 2 CFR Part 200, “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

*All Non-Federal Entities (including both states and other non-federal entities)*

Effective May 14, 2022, the non-Federal entity must ensure that all applicable programs comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project. Each covered Federal agency must ensure that “none of the funds made available for a Federal financial assistance program for infrastructure may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States. The Act requires the following Buy America preference:

1. All iron and steel used in the project are produced in the United States;

2. All manufactured products used in the project are produced in the United States; and

3. All construction materials are manufactured in the United States.

Important Notes:

• A non-federal entity must comply with the BABA requirements to the extent that the non-federal entity has been informed of these requirements, such as through the award terms and conditions.

• Several Federal agencies, in consultation with OMB, issued “waivers” as an exception from or waiver of the Made in America laws. For a listing of waivers by agency see <https://www.madeinamerica.gov/waivers/financial-assistance>. For a listing of waivers by category see <https://www.madeinamerica.gov/waivers>. If additional information is needed, see the agency contact found in Appendix III.

***Procurement—Cost-Reimbursement Contracts under the Federal Acquisition Regulation***

When awarding subcontracts, non-Federal entities receiving cost-reimbursement contracts under the Federal Acquisition Regulation (FAR) must comply with the clauses at [48 CFR 52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf) (consent to subcontract), [52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf) (competition), [52.203-13](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-13.pdf) (code of business ethics), [52.203-16](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-16.pdf) (conflicts of interest), and [52.215.12](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.215-12.pdf) (cost or pricing data); and the terms and conditions of the contract. The FAR defines “subcontracts” as a contract, i.e., a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.

**Source of Governing Requirements – Procurement**

The requirements that apply to procurement under grants and cooperative agreements are contained in 2 CFR 200.317 - 200.327, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements that apply to procurement under cost-reimbursement contracts under the FAR are contained in 48 CFR Parts [03](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_3.pdf), [15](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_15.pdf), [44](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_44.pdf) and the clauses at [48 CFR 52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf), [52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf), [52.203-13](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-13.pdf), [52.203-16](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-16.pdf), and [52.215-12](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.215-12.pdf); agency FAR Supplements; and the terms and conditions of the contract.

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

### OMB Compliance Requirements – Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in [2 CFR 180.220](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf). All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in [2 CFR 180.215](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf).

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, as defined in [2 CFR 180.995](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf) and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at [SAM.gov | Home](https://www.sam.gov/) (click on Search Record, then click on Advanced Search-Exclusions) (**Note:** The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity ([2 CFR 180.300](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf)).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at [48 CFR 52.209-6](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.209-6.pdf) before entering into a subcontract that will exceed $30,000, other than a subcontract for a commercially available off-the-shelf item.

**Source of Governing Requirements – Suspension and Debarment**

The requirements for nonprocurement suspension and debarment are contained in OMB guidance in [2 CFR Part 180](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf), which implements Executive Orders 12549 and 12689, “Debarment and Suspension;” Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR Part 180; program legislation; and the terms and conditions of the award.

Most of the Federal agencies have adopted or implemented 2 CFR Part 180, generally by relocating their associated agency rules in Title 2 of the CFR. [Appendix II](http://ohioauditor.gov/ipa/UniformGuidance/2023/OMB_Appendix_II.pdf) to the Supplement includes the current CFR citations for all agencies adoption or implementation of the nonprocurement suspension and debarment guidance.

Government-wide requirements related to suspension and debarment and doing business with suspended or debarred subcontractors under cost reimbursement contracts under the FAR are contained in [48 CFR 9.405-2(b)](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_9.405-2.pdf) and the clause at [48 CFR 52.209-6](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.209-6.pdf).

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

**Part 4 OMB Program Specific Requirements**

1. *ADP* *Systems Development* – For competitive acquisitions of ADP equipment and services costing $6 million or more (combined federal and state shares), the state must submit an Advanced Planning Document (APD) for the costs to be approved and allowable as charges to FNS. This threshold is for the total project cost. Contracts resulting from noncompetitive procurements of more than $1 million and contracts for EBT systems, regardless of cost, also must be provided to FNS for prior written approval (7 CFR section 277.18).

2. For procurement activity covered by the USDA implementation of the A-102 Common Rule (see Part 3 of the Supplement for effective dates), regardless of whether the state elects to follow state or federal rules, the following requirements must be followed for procurements initiated on or after October 1, 2000:

a. A state or local government shall not award a contract to a firm it used to orchestrate the procurement leading to that contract. Examples of services that would disqualify a firm from receiving the contract include preparing the specifications, drafting the solicitation, formulating contract terms and conditions, etc. (7 CFR section 3016.60(b)).

b. A state or local government shall not apply in-state or local geographical preference, whether statutorily or administratively prescribed, in awarding contracts (7 CFR section 3016.60(c)).

3. For procurements covered by the USDA adoption of 2 CFR Part 200 and the regulations at 2 CFR section 416.1, the following applies:

a. A prospective contractor that develops or drafts specifications, requirements, statements of work, invitations for bids, requests for proposals, contract term and conditions or other documents for use by a state shall be excluded from competing for such procurements. Such prospective contractors are ineligible for contract awards resulting from such procurements regardless of the procurement method used. However, prospective contractors may provide states with specification information related to a state procurement and still compete for the procurement if the state, and not the prospective contractor, develops or drafts the specifications, requirements, statements of work, invitations for bid, and/or requests for proposals used to conduct the procurement (2 CFR section 416.1(a)).

b. Procurements by states shall be conducted in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographic preferences except as provided for in 2 CFR section 200.319(b) (2 CFR section 416.1(b)).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

***Written Procedure Requirements:***

*2 CFR 200.318(c)(1) requires non-Federal entities maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.*

*2 CFR 200.318(c)(2) requires non-Federal entities maintain written standards of conduct covering organizational conflicts of interest when the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe.*

*2 CFR 200.320(b)(2) requires non-federal entities to have a written method for conducting technical evaluations of the competitive proposals received and for selecting contract recipients.*

*2 CFR 200.319(d) requires non-federal entities to have written procedures for procurement transactions to ensure all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

2 CFR 200.320 includes procurement requirements.

These methods are:

* Micro-purchases;
* Small Purchases;
* Sealed bids;
* Competitive proposals; and
* Noncompetitive proposals.

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

[OAC 5101:9-4-07](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-07.stm) and [5101:9-4-07.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-07-1.stm) were revised to include Uniform Guidance updates in regards to Procurement methods. Auditors should review these requirements for specific information on the procurement methods.

Auditors should review [OAC 5101:9-4-07](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-07.stm), [5101:9-4-07.1](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-07-1.stm) and 2 CFR 200.320 for further detail on the procurement methods above as well as other procurement requirements. The rule updates do not change the requirements or allowable methods of procurement but have only been formatted to provide a better understanding of the competitive and noncompetitive process.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to an award or subaward.

3. For covered transactions determine whether the non-federal entity verified that entities are not suspended, debarred, or otherwise excluded.

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

***Additional Control Test Objectives for Written Procedures:***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires a written policy for the requirements outlined in 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
* *Document whether the non-Federal entity established written procedures consistent with the following requirements:*
	+ *2 CFR 200.318(c)(1) for employee conflicts of interest.*
	+ *2 CFR 200.318(c)(2) for organizational conflicts of interest.*
	+ *2 CFR 200.320(b)(2) for selection and awarding of contracts for competitive proposals.*
	+ *2 CFR 200.319(d) for minimum evaluation criteria for bids and proposals.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.318(c)(1), 2 CFR 200.318(c)(2), 2 CFR 200.320(b)(2), and 2 CFR 200.319(d).*
	+ *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
	+ *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.*
		- *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*:**Questions that may help in documenting the above control requirements:**1. Has the County/district 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?
2. Has the County/district 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?

***The County/District JFS Policies should document controls for meeting compliance requirements. Auditors should review the information provided by the County/District JFS to gain an understanding of the procedures in place.*** |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****The local government is required to be in compliance with applicable state and local procurement requirements regardless of whether the local government procures item(s) itself or relies upon an intergovernmental arrangement with co-op or another entity to procure on its behalf. Auditors need to test procurement files whether they're from the local government, the co-op, or another entity.******AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the Procurement Federal Testing Template available on the Intranet.**Procedure 1 is omitted as it is only applicable to States.**(Procedures 2 – 5 apply to non-Federal entities other than States.)*2. Obtain the entity’s procurement policies and verify that the policies comply with the compliance requirements highlighted above.3. Verify that the entity has written standards of conduct that cover conflicts of interest and govern the performance of its employees engaged in the selection, award, and administration of contracts (2 CFR 200.318(c) and [48 CFR 52.203-13](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-13.pdf) and [52.203-16](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.203-16.pdf)).4. Ascertain if the entity has a policy to use statutorily or administratively imposed in‑State or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to federally funded procurements except where applicable Federal statutes expressly mandate or encourage geographic preference (2 CFR 200.319(c)).5. Select a sample of procurements and perform the following procedures:**\***a. Examine contract files and verify that they document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price (2 CFR 200.318(i) and [48 CFR Part 44](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_Part_44.pdf) and [52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf)).**\***b. For grants and cooperative agreements, verify that the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR 200.320. Current micro-purchase and simplified acquisition thresholds can be found in the FAR (48 CFR Subpart 2.1, “Definitions”) \*c. Verify that procurements provide full and open competition (2 CFR 200.319 and [48 CFR 52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf)).d. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (2 CFR 200.319 and 200.320(c) and [48 CFR 52.244-5](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-5.pdf)).**\***e. Ascertain if cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold, including contract modifications, and that this analysis supported the procurement action (2 CFR 200.324 and [48 CFR 15.404-3](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_15.404-3.pdf)).  OMB Note: A cost or price analysis is required for each procurement action, including each contract modification, when the total amount of the contract and related modifications is greater than the simplified acquisition threshold.f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract under the FAR ([48 CFR 52.244-2](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.244-2.pdf)). OMB Note: If the non-Federal entity has an approved purchasing system, consent to subcontract may not be required unless specifically identified by contract terms or conditions. The auditor should verify that the approval of the purchasing system is effective for the audit period being reviewed. *The Federal Acquisition Regulations (FAR) defines cost-reimbursement contracts in 48 CFR Subpart 16.3. Cost-reimbursement contracts are contracts which establish an estimate of total costs (or a ‘ceiling’) which a contractor may not exceed (except at its own risk) without the approval of a contracting officer. Cost-reimbursement contracts are only allowable when the circumstances described in 48 CFR 16.301-3 have been met.**(Procedures 6 and 8 apply to all non-Federal entities)*6. Review the non-Federal entity’s procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR 200.213 and 200.318(h); [2 CFR 180.300](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_180.pdf); [48 CFR 52.209-6](http://ohioauditor.gov/ipa/UniformGuidance/2023/48_CFR_52.209-6.pdf)).**\***7. Select a sample of procurements and subawards and test whether the non-Federal entity followed its procedures before entering into a covered transaction.*If an internal control deficiency or noncompliance is noted with Suspension and Debarment requirements, AoS auditors must consult with Legal for an evaluation. IPAs should review the Federal agency adoption of the Suspension and Debarment requirements as well as the specific terms and conditions in the grant agreement to ensure the comment is accurate.*8. Select a sample of procurement agreements for infrastructure projects subject to BABAA and test whether the non-federal entity included the Buy America domestic preference provisions in each agreement or obtained a BABAA waiver. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## M. SUBRECIPIENT MONITORING

OMB Note: Transfers of Federal awards to another component of the same auditee under 2 CFR Part 200, Subpart F, do not constitute a subrecipient or contractor relationship.

### OMB Compliance Requirements

A pass-through entity (PTE) must:

- *Identify the Award* *and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR 200.331(b)). This evaluation of risk may include consideration of such factors as the following (see here for 2 CFR 200.332(b)-(f)):

1. The subrecipient’s prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR 200.521.
* *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients for the subaward. The agreement with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits (2 CFR 200.501(h)).

**Source of Governing Requirements**

The requirements for subrecipient monitoring for the subaward are contained in 31 USC 7502(f)(2) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), 2 CFR 200.331, 200.332 and 200.501(h); Federal awarding agency regulations; and the terms and conditions of the award.

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

**Part 4 OMB Program Specific Requirements**

There are no Program Specific requirements for this compliance requirement.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

Per ODJFS, the Food Assistance eligibility process cannot be contracted out to subrecipients; however, work and training services can be contracted out to subrecipients. Auditors should review contracts entered into by the County JFS for services to determine if a subrecipient relationship exists. Auditors should also look for reoccurring expenditures to determine if such a subrecipient relationship exists without entering into a formal agreement.

*(Source: ODJFS)*

Some counties have elected to contract with outside parties to provide services for recipients. Each county audit team must inquire with county management to determine if disbursements were made to subrecipients during the audit period. In some cases, the County JFS has allowed the subrecipients to determine eligibility for services. As such, the County JFS should stipulate within each contract the eligibility criteria. Furthermore, the County JFS should monitor the subrecipients to ensure eligibility is properly determined and services are provided only to eligible recipients.

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.

Per ODJFS, Ohio Revised Code Section 5104.34 (A) (1) allows counties to contract out eligibility determination services. If such contracts are found during testing auditors should evaluate the contract to determine if a subrecipient relationship exists.

ODJFS has a mandated process for subrecipient monitoring in [OAC 5101:9-4-88](https://emanuals.jfs.ohio.gov/LocalAdmin/FAPM/Chapter04/5101-9-4-88.stm). Subrecipient annual risk assessment review and subrecipient monitoring process.

*(Source: Sabrina Jamison, ODJFS 2/26/2024)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether the PTE identified the subaward and applicable requirements at the time of the subaward (or subsequent subaward modification) in the terms and conditions of the subaward and other award documents sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the Federal award.

3. Determine whether the PTE monitored subrecipient activities to provide reasonable assurance that the subrecipient administered the subaward in compliance with the terms and conditions of the subaward.

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

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*:**Questions that may help in documenting the above control requirements:**Does the County have procedures in place to perform an annual risk assessment review, considering the following:* + 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.

Are there risk assessment review mechanisms to identify the following:* + 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;
	+ Various internal changes that may affect performance such as financial problems, loss of personnel and rapid growth; and
	+ If required to be audited as required by 45 CFR part 75, subpart F, that they met that requirement.

***The County/District JFS policies should document controls for meeting compliance requirements. Auditors should review the information provided by the County/District JFS to gain an understanding of the procedures in place.*** |

### Suggested Substantive Audit Procedures – Compliance

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| **OMB Note**: The auditor may consider coordinating the tests related to subrecipients performed as part of C., “Cash Management” (tests of cash reporting submitted by subrecipients); E., “Eligibility” (tests that subawards were made only to eligible subrecipients); I., “Procurement and Suspension and Debarment” (tests of ensuring that a subrecipient is not suspended or debarred), and L, “Reporting (tests of performance data reported to funding sources) with the testing of “Subrecipient Monitoring.” |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in subrecipient monitoring Federal Testing Template available on the Intranet.*1. Review the pass-through entity’s (PTE’s) subrecipient monitoring policies and procedures to gain an understanding of the PTE’s process to identify subawards, evaluate risk of noncompliance, and perform monitoring procedures based upon identified risks.

**\***2. Review subaward documents including the terms and conditions of the subaward to ascertain if, at the time of subaward (or subsequent subaward modification), the PTE made the subrecipient aware of the award information required by 2 CFR 200.332(a) sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award.**\***3. Review the PTE’s documentation of monitoring the subaward and consider if the PTE’s monitoring provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. **\***4. Ascertain if the PTE verified that subrecipients expected to be audited as required by 2 CFR Part 200, Subpart F, met this requirement (2 CFR 200.332(f)). This verification may be performed as part of the required monitoring under 2 CFR 200.332(d)(2) to ensure that the subrecipient takes timely and appropriate action on deficiencies detected though audits. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## N. SPECIAL TESTS AND PROVISIONS – ADP System for SNAP

This OMB Special Test and Provision will be tested by the State Region. Per ODJFS, there are no additional OMB Special Tests and Provisions for SNAP at the County level for ADP System for SNAP.

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## N. SPECIAL TESTS AND PROVISIONS – EBT Reconciliation and EBT Card Security

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

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

**Part 4 OMB Program Specific Requirements**

**EBT Reconciliation**

***This OMB Special Test and Provision will be tested at by the State Region.***

States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the state’s benefit account with Treasury and EBT contractor records. This includes a reconciliation of the state’s issuance files of postings to recipient accounts with the EBT contractor.

States (generally through the EBT contractor that operates the EBT system) must also have systems in place to reconcile retailer credit activity as reported into the banking system to client transactions maintained by the processor and to the funds drawn down from the EBT benefit account with Treasury. States’ EBT system processors should maintain audit trails that document the cycle of client transactions from posting to point-of-sale transactions at retailers through settlement of retailer credits. The financial and management data that comes from the EBT processor is reconciled by the state to the SNAP issuance files and settlement data to ensure that benefits are authorized by the state and funds have been properly drawn down. States may only draw federal funds for authorized transactions (e.g., electronic point-of-sale purchases supported by entry of a valid personal identification number (PIN) or purchases using manual vouchers with telephone verification supported by a client signature and an EBT contractor authorization number) (7 CFR sections 274.3(a)(1) and 274.4(a)).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

**EBT Card Security**

***This OMB Special Test and Provision will be tested at by the State Region.***

The state is required to maintain adequate security over, and documentation/records for, EBT cards, to prevent their theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use (7 CFR section 274.8(b)(3)).

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

**EBT Reconciliation:**

Per ODJFS, there are no rules that require counties to take certain actions on returned cards.

However, the County should have controls in place should they receive returned cards. See the FAQ question following. If auditors note that the County has received returned cards, determine if they have established written procedures.

EBT County JFS FAQ Question #17 (per ODJFS innerweb) addresses the procedure for returned cards. This procedure states: Each county needs to establish written procedures for this issue. This is an individual agency decision as to how they wish to track this, however it is highly recommended that each card be logged as it comes in, the client is contacted, and clients show identification and sign for their card when they pick them up. It also recommended that if a client does not pick up a card within 30 days, it would be appropriate to return that card to ACS for destruction. If the client comes in after 30 days, they can call and get a replacement. Agencies must secure any OHIO DIRECTION cards in their possession, and have written procedures in place to receive, log and track those cards. Under no circumstances should mail or UPS delivery envelopes containing EBT cards be opened by the agency.

**EBT Card Security:**

Per ODJFS, EBT cards are issued and secured by the vendor. The counties would only issue cards in the event of a level III disaster. The card issuance security controls would be kept at the State level. Therefore, there are no County level requirements to be tested.

*(Source: ODJFS)*

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

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

***Objectives 2 and 3 will be tested at by the State Region.***

1. Determine whether the state reconciles retailer credit activity to client transactions, to its issuance files of postings to recipient accounts with the EBT contractor, and to postings to and drawdown activity from the state’s benefit account with Treasury.
2. Determine whether the state maintains security over EBT cards.

*(Source: 2023 OMB Compliance Supplement, Part 4, Department of Agriculture, SNAP Cluster)*

1. *Determine whether the County/district has controls in place over receipt of returned cards.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*:Per ODJFS, there are no rules that require counties to take certain actions on returned cards.However, the County/district should have controls in place should they receive returned cards. See the FAQ question following. If auditors note that the County/district has received returned cards, determine if they have established written procedures.EBT County/district JFS FAQ Question #17 (per ODJFS innerweb) addresses the procedure for returned cards. This procedure states: Each county needs to establish written procedures for this issue. This is an individual agency decision as to how they wish to track this, however it is highly recommended that each card be logged as it comes in, the client is contacted, and clients show identification and sign for their card when they pick them up. It also recommended that if a client does not pick up a card within 30 days, it would be appropriate to return that card to ACS for destruction. If the client comes in after 30 days, they can call and get a replacement. Agencies must secure any OHIO DIRECTION cards in their possession, and have written procedures in place to receive, log and track those cards. Under no circumstances should mail or UPS delivery envelopes containing EBT cards be opened by the agency.*(Source: ODJFS)* |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)** + - 1. Verify the County has written procedures addressing returned EBT cards.
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### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## Program Testing Conclusion

We have performed procedures sufficient to provide reasonable assurance for federal award program compliance requirements (to support our opinions). The procedures performed, relevant evidence obtained, and our conclusions are adequately documented. (If you are unable to conclude, prepare a memo documenting your reason and the implications for the engagement, including the audit reports.)

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

Per paragraph 13.39 of the **AICPA Single Audit Guide**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(2 CFR 200.516):**

1. Significant deficiencies and material weaknesses in internal control over major programs.
2. Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to a major program.
3. Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. The auditor also must report (in the schedule of findings and questioned costs) known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.
4. Known questioned costs that are greater than $25,000 for programs that are not audited as major.
5. Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs.
6. Significant instances of abuse relating to major programs.
7. The circumstances concerning why the opinion in the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs (for example, a scope limitation that is not otherwise reported as a finding).
8. Instances in which the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with 2 CFR 200.511(b) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[Appendix I](http://ohioauditor.gov/ipa/UniformGuidance/2023/2_CFR_Part_200.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR Part 200.

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](http://ohioauditor.gov/ipa/UniformGuidance/2023/Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.34 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or verbally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

* Other deficiencies in internal control over compliance that are not significant deficiencies or material weaknesses required to be reported but, in the auditor's judgment, are of sufficient importance to be communicated to management.
* Noncompliance with federal statutes, regulations or terms and conditions of federal awards related to a major program that does not meet the criteria for reporting under the Uniform Guidance but, in the auditor's judgment, is of sufficient importance to communicate to management or those charged with governance.
* Other findings or issues arising from the compliance audit that are not otherwise required to be reported but are, in the auditor's professional judgment, significant and relevant to those charged with governance.

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| **Cross-reference to any Management Letter items and explain why not included in the Single Audit Compliance Report:** |
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