

Rule Summary and Fiscal Analysis (Part A)**Department of Job and Family Services**

Agency Name

Division of Social Services

Division

Michael Lynch

Contact

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5101:2-47-26.2

Rule Number

AMENDMENT

TYPE of rule filing

Rule Title/Tag Line

Cost report "Agreed Upon Procedures" engagement.**RULE SUMMARY**

1. Is the rule being filed consistent with the requirements of the RC 119.032 review? **Yes**

2. Are you proposing this rule as a result of recent legislation? **No**

3. Statute prescribing the procedure in accordance with the agency is required to adopt the rule: **119.03**

4. Statute(s) authorizing agency to adopt the rule: **5101.141, 5101.145**

5. Statute(s) the rule, as filed, amplifies or implements: **5101.145**

6. State the reason(s) for proposing (i.e., why are you filing,) this rule:

To update policy and to meet the five year review.

7. If the rule is an AMENDMENT, then summarize the changes and the content of the proposed rule; If the rule type is RESCISSION, NEW or NO CHANGE, then summarize the content of the rule:

This rule outlines the requirement for a private child placing agency (PCPA) or a private noncustodial agency (PNA) that completes a JFS 02911 JFS " Title IV-E Single Cost Report" to have an annual JFS 02913 "Agreed Upon Procedures Engagement" conducted for its cost report. The "Agreed Upon Procedures Engagement" was changed from an appendix to a form.

8. If the rule incorporates a text or other material by reference and the agency claims the incorporation by reference is exempt from compliance with sections 121.71 to 121.74 of the Revised Code because the text or other material is **generally available** to persons who reasonably can be expected to be affected by the rule, provide an explanation of how the text or other material is generally available to those persons:

This rule incorporates one or more references to another rule or rules of the Ohio Administrative Code. This question is not applicable to any incorporation by reference to another OAC rule because such reference is exempt from compliance with RC 121.71 to 121.74 pursuant to RC 121.76(A)(3).

This rule incorporates one or more dated references to an ODJFS form or forms. Each cited ODJFS form is dated and is generally available to persons affected by this rule via the inner-web at <http://innerapp.odjfs.state.oh.us/forms/inner.asp> or on the inter-net at <http://www.odjfs.state.oh.us/forms/inter.asp> in accordance with RC 121.75(E).

9. If the rule incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material electronically, provide an explanation of why filing the text or other material electronically was infeasible:

Not applicable

10. If the rule is being **rescinded** and incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material, provide an explanation of why filing the text or other material was infeasible:

Not Applicable.

11. If **revising** or **refiling** this rule, identify changes made from the previously filed version of this rule; if none, please state so. If applicable, indicate each specific paragraph of the rule that has been modified:

Not Applicable.

12. 119.032 Rule Review Date: **3/24/2014**

(If the rule is not exempt and you answered NO to question No. 1, provide the scheduled review date. If you answered YES to No. 1, the review date for this rule is the filing date.)

NOTE: If the rule is not exempt at the time of final filing, two dates are required: the current review date plus a date not to exceed 5 years from the effective date for Amended rules or a date not to exceed 5 years from the review date for No Change rules.

FISCAL ANALYSIS

13. Estimate the total amount by which *this proposed rule* would **increase / decrease** either **revenues / expenditures** for the agency during the current biennium (in dollars): Explain the net impact of the proposed changes to the budget of your agency/department.

This will have no impact on revenues or expenditures.

0.00

No changes to the current budget.

14. Identify the appropriation (by line item etc.) that authorizes each expenditure necessitated by the proposed rule:

Not applicable.

15. Provide a summary of the estimated cost of compliance with the rule to all directly affected persons. When appropriate, please include the source for your information/estimated costs, e.g. industry, CFR, internal/agency:

No new costs.

16. Does this rule have a fiscal effect on school districts, counties, townships, or municipal corporations? **No**

17. Does this rule deal with environmental protection or contain a component dealing with environmental protection as defined in R. C. 121.39? **No**

S.B. 2 (129th General Assembly) Questions

18. Has this rule been filed with the Common Sense Initiative Office pursuant to R.C. 121.82? **Yes**

19. Specific to this rule, answer the following:

A.) Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? **Yes**

Private child placing agencies and private non-custodial agencies are required to be certified by the state of Ohio to provide substitute care.

B.) Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? **Yes**

There are not fines or civil penalties for non-compliance, but rather the risk of possible forfeiture of certification through denial or revocation.

C.) Does this rule require specific expenditures or the report of information as a condition of compliance? **Yes**

This rule requires the completion of the JFS 02911, "Title IV-E Single Cost Report" for the reporting of their placement costs and their administrative costs for providing substitute care. The agency also obtains the services of a Certified Public Accountant to perform testing of their cost report by completing the JFS 02913, "Agreed Upon Procedures" engagement.

Ohio Department of Job and Family Services

TITLE IV-E
AGREED-UPON PROCEDURES FOR
PRIVATE CHILD PLACING AGENCIES (PCPA) AND PRIVATE NONCUSTODIAL
AGENCIES (PNA)

Overview

For Private Child Placing Agencies (PCPA) and Private Noncustodial Agencies (PNA), an agreed-upon procedures engagement is required to be performed by a Certified Public Accountant (CPA). The CPA will attest to the validity and accuracy of the private agency's cost report. The agreed-upon procedures is required to be conducted annually for the state fiscal year period of July 1 through June 30. The cost report will incorporate IV-E costs and where applicable, ODADAS, ODMH, and "Other" agency costs not reimbursable under any of the preceding programs.

While completing the cost report, the following shall apply for private agencies:

- 1) Agencies may use their discretion to report case management expenditures to various programs so long as the person performing the case management services is certified or licensed in accordance with IV-E, ODADAS, and/or ODMH requirements.
- 2) **ODJFS will grant approval for an eighteen month audit if an agency that is currently on a calendar year (January 1, through December 31) elects to change to a state fiscal year (July 1, through June 30) and elects to have an eighteen month financial statement audit. [Note: The single Cost Report should still be prepared for the fiscal year July 1 through June 30].**

While conducting the agreed-upon procedures engagement the following shall apply for the CPA:

- 1) CPAs may use their discretion to create their own working papers (except for Summary of Proposed Cost and Statistical Adjustments).
- 2) CPAs, at their discretion, may rely on work papers completed by the firm from another engagement, (e.g., A-133 audit, financial statement audit, etc.) or other CPA's working papers that were completed during other engagements. If relying on other audit work, the CPA must document how the work relied upon meets the requirements contained in the Agreed-Upon Procedures being performed, and the working papers must:
 - A) Cover the same audit period;
 - B) Be pertinent to specific areas of the "Agreed-Upon Procedures" such as pulling a proportionate sample of expenditures and examining appropriate attributes, and;
 - C) Provide assurance of the accuracy and validity of the CPA's work.
- 3) Where applicable, to ensure compliance with Mental Health and ODADAS, CPAs shall refer to each program's respective compliance and audit guidelines.
- 4) In accordance with rule 5101:2-47-26.2 of the Ohio Administrative Code, CPAs, at their discretion, may request a waiver of certain procedures that are not applicable to the specific PCPA or PNA cost report being tested.

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GENERAL PLANNING AND ADMINISTRATIVE

	Program Step	Date/ Initials	Work Paper Reference
1.	Before contacting the agency, examine any pertinent information relevant to the engagement from the prior years' audit information, if available. Document all relevant information in the work papers.		
2.	Inspect the agency's files including the Permanent file, if any, from prior engagements. Document any information that may effect the current engagement.		
3.	From prior years' engagement work papers, identify any prior period management comments and/or findings and/or any issues from the summary of non-compliance, and summary S-1. Document how they impact the current period in the working papers. Verify all applicable adjustments were made within the agency's documentation.		
4.	Review the financial statements of the most recent audit. Verify weaknesses that could affect the present AUP engagement.		
5.	Determine the status of any dispute resolutions, rate considerations, management comments, and audit findings.		
6.	Identify all non-licensing Corrective Action Plans (CAP). Verify the CAP has been implemented. If the CAP has not been implemented, obtain and document the explanation from management in the Agreed Upon Procedures report.		
7.	Obtain the related party listing and examine for the existence of any related parties. From discussions and through your inspection of the documents with the client update the related party list as appropriate.		
8.	Inspect accreditation and licensure documents from state agencies (i.e., ODMH, ODADAS, COA, JCAHO, and CARF). Obtain a copy of the provider's license(s) in effect during the engagement period.		
9.	Inspect contracts with amendments, if any, and lease agreements, (e.g., buildings, vehicles and equipment, placement contracts excluding foster parents, and etc.). Document in the working papers any information which will effect the current engagement. Verify amounts were categorized appropriately (e.g., operating lease vs. capital lease). In addition, verify all contracts are signed.		

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	General Planning and Administrative (continued)	Date/ Initials	Work Paper Reference
10.	If reliance is to be placed on work completed by the CPA during another engagement with the same entity, (e.g., A-133 audit, financial statement audit, etc.), prior to reducing any work associated with the current AUP, the CPA must assure the previous work is sufficient to satisfy the requirements of the AUP. The AUP working papers must contain documentation of the CPA's explanation as to how the work satisfies the requirements of the AUP.		
11.	Obtain a chart of accounts including each revenue and expense account. Prepare a schedule listing each account with its description and the location (program, service, category and type) on the cost report.		
12.	Obtain a copy of the minutes of the agency's governing body and any major committee minutes for the engagement period. Read all minutes.		

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	General Planning and Administrative (continued)	Date/ Initials	Work Paper Reference
13.	<p>Inspect all minutes for entries affecting agency operations for the period under review. Be alert for indications of matters having relevance to the areas listed below, which shall be cross referenced to the appropriate engagement program steps. These include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • approval of office facilities, • capital improvements, • purchase service contracts, • additions and deletions of property, plant and equipment, • transfer of monies, • related party transactions, • litigation, claims, and assessments, • subsequent events, • additions to revenue (donations, USDA, grants), • establishing of new funds and accounts, • budget amendments, • motor vehicle insurance, accident insurance, and liability insurance, • workers' compensation, • new grant agreements, • compensation, • contract/lease agreements, • health coverage - self/insured, • foster parent payments, • loans to/from employees and governing body members, • other information deemed significant by the auditor. 		
14.	Obtain a list of governing body members and an agency table of organization (with credentials, if available) in effect during the engagement period. Obtain a list of all employees related to governing body members, executive director, and senior level staff. Document these within the work papers.		
15.	If agency is using square footage as a method of allocation, obtain facility floor plans/maps/blueprints/schematics/etc. for all facilities owned or leased.		

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COST REPORT RECONCILIATION

	Program Step	Date/ Initials	Work Paper Reference
1.	Obtain and document through a narrative the process used in completing the cost report. Include a description of the methodology used in the allocation of expenses in the cost report.		
2.	Tie the expenses from the trial balance for the fiscal year to the cost report and general ledger on a 100% basis. Document and explain all variances. Perform additional testing for variances or explain why no additional testing is needed. Identify variances and obtain an explanation from management. Document any explanations provided by management in the report. Place any proposed adjustments on the Schedule S-1.		

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CASH DISBURSEMENTS

	Program Step	Date/ Initials	Work Paper Reference
1.	Obtain a schedule identifying the total cash disbursements, and re-compute total amount associated with the breakdown by program and service. Tie the total cash disbursements reported on the cost report to the amounts reported on the general ledger. Obtain written explanations from management for variances (disregarding variances due to rounding). Document any explanation provided by management and include in the report.		
2.	Document the allocation of expenses as reported on the cost report by program and service. Obtain and document the allocation methodology.		
2a.	Verify the allocation methodology is allowable and consistent under 2 CFR 225 and 2 CFR 230 (formerly known as OMB Circular A-87 and A-122).		
2b.	Verify the appropriateness of the selected allocation base. Ensure the same base is used across all programs including administrative and unallowable.		
2c.	For Title IV-E purposes, ensure the cost is allocated to the appropriate direct or support column.		
3.	Obtain written explanations from management for variances (disregarding variances due to rounding). Document any explanation provided by management and include in the report. <i>(Please note the allocation methodology must be verified on the Administrative Overhead Worksheet).</i>		
4.	Inspect the cost report reconciliation. Identify general ledger accounts associated with Title IV-E, ODADAS, and ODMH, including the administrative overhead worksheet (excluding Title IV-E Non-reimbursable-Other, ODADAS and/or ODMH Unallowable expenditures).		
5.	For the reimbursable expenses reported on the single cost report select 20% or 60 transactions of whichever is less for the Title IV-E, ODADAS, and ODMH programs, which includes the administrative worksheet. Ensure the sample selected for each program is in proportion to the reported expenses associated with the Title IV-E, ODADAS, and ODMH programs. Complete Step 8 for the sample selected from the direct and support IV-E reimbursable transactions.		

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	Cash Disbursements (continued)	Date/ Initials	Work Paper Reference
6.	In addition to the sample selected in step 5, select 20% or 20 transactions, whichever is less, of the checks written to cash, petty cash, the agency designee for the petty cash fund, and/or the agency. In addition, select all checks written to the agency, agency director, cash, and/or petty cash for any amount greater than \$1,000. [Note: This does not include payroll checks, but does include travel and reimbursement checks]. For checks replenishing petty cash accounts, all expenditures supporting the replenishment must be examined in Step 8.		
7.	Excluding depreciation, select 50% of total dollar amount of non-cash expenditures, (e.g., accrued expenses) reported on the single cost report in the allowable/reimbursable sections of the Title IV-E, ODADAS, and/or ODMH programs which includes the administrative overhead worksheet (excluding Non-reimbursable-Other, ODADAS and/or ODMH Unallowable expenditures). Complete Step 8.		

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	Cash Disbursements (continued)	Date/ Initials	Work Paper Reference
8.	<p>Perform the following steps for the sample selected in Steps 5, 6 and 7. Document the following if applicable:</p> <ul style="list-style-type: none"> ▪ Check Number, ▪ Check Date, ▪ Check Amount, ▪ Transaction Number (non-cash expenditure), ▪ Transaction Date (non-cash expenditure), ▪ Transaction Amount (non-cash expenditure), ▪ Vendor Name (payee) ▪ Variance (check/transaction amount vs. supporting documentation amount), if a variance exists, report it on the Schedule S-1 and document the explanation in the AUP report, ▪ Account Name/Account Number (General Ledger), ▪ Expense location by Program, Service, Category, and Type (as defined in the cost report instructions; example: IV-E, RES-1, Other Consumables, Direct), ▪ Amount of expense by Program and Service (program and service as defined in the cost report instructions), ▪ Related Party Transaction, ▪ Expenditure Purpose, ▪ Any Auditor Comments. <p>Verify the following information:</p> <ul style="list-style-type: none"> ▪ The expense is located in the proper program, service, category, and type within the service (as defined in the cost report instructions), ▪ The location is in compliance with applicable rules and regulations and the cost report instructions, ▪ Amount by program, service, category, and type (as defined in the cost report instructions) is in compliance with applicable rules and regulations, 2 CFR 225 and 2 CFR 230 and the cost report instructions, ▪ Expenditure purpose is in compliance with applicable rules and regulations, the cost report instructions and 2 CFR 225 and 2 CFR 230, 		

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	Cash Disbursements (continued)	Date/ Initials	Work Paper Reference
	<ul style="list-style-type: none"> Allocation of the expense is in accordance with the methodology verified in Steps 2-2c and is in accordance with the allowable methodologies of the particular program and service as defined in the cost report instructions and in compliance with 2 CFR 225 and 2 CFR 230, Proper authorization of the expense, Adequate documentation to support the expense, Compliance with all applicable rules and regulations including, but not limited to, 2 CFR 225 and 2 CFR 230, OAC 5101:2-47-26.1, and the single cost report instructions. <p>Note: Obtain a written explanation from management on any variance(s) or any potential non-compliance. Document any explanation provided by management.</p> <p>Types of adequate supporting documentation include: copies of all vehicle and building rental/lease and mortgage agreements, copies of other leases and contracts associated with the expenditures selected, and copies of notes payable associated with expenditures selected.</p> <p>Please note that for debit card and credit card expenditures, the bank and billing statements are not considered adequate documentation. You should obtain the associated receipt (actual or copy).</p> <p>Please note that for checks replenishing a petty cash account, all expenditures supporting the replenishment must have the associated receipt(s) as documentation for examination.</p>		

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	Cash Disbursements (continued)	Date/ Initials	Work Paper Reference
9.	Identify USDA revenues. From the detailed general ledger, obtain the total food expense and the total USDA revenue received. Subtract the total USDA revenue figure from the total food expense. Compare the net amount to the food expense listed within the reimbursable section of the single cost report. Verify the Food Expense associated with the USDA Revenue is placed in the appropriate non-reimbursable column(s) on the cost report. List any variance(s) and obtain a written explanation from management on the variance(s) and place on the Schedule S-1. Document any explanation provided by management in the Agreed-Upon Procedures report.		
10.	Inspect all other revenues, grants, refunds, and credits (i.e., mileage, clothing, graduation expenses). If the direct service expense associated with such funding source(s) is reported on the cost report, the expense must be deducted from the total reimbursable expenses in arriving at allowable costs. Verify that any deducted expenses are reported in the appropriate non-reimbursable category on the cost report ensuring 100% of the costs are reported.		

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RELATED PARTY

	Program Step	Date/ Initials	Work Paper Reference
1.	Document related party transactions which includes list obtained in General Planning and Administrative Step 7 and any additional items noted in the review of governing body minutes. Scan cash disbursements for related party transactions.		
2.	Review the procurement of all types of related party expenses allocated to the Title IV-E program has supporting documentation that the agreed-upon amount is provided at a competitive cost or under terms favorable to the agency (OAC 5101:2-47-26.1) and are allocated in accordance with 2 CFR 225 and 2 CFR 230.		
3.	Ensure all of these agreements are arms-length transactions and have written agreements such as rental/lease agreements, employment agreements, independent contractor agreements, or professional services contract and in compliance with 2 CFR 225 and 2 CFR 230.		
4.	Test the reasonableness of all compensation paid to the governing body members or their immediate relatives who have an expense allocated to Title IV-E, ODMH, and/or ODADAS programs.		
5.	Select a transaction from each related party identified in the scan from Step 1 (the sample selected within this step may be part of the required sample of 60 overall cash disbursement transactions).		
6.	Verify those transactions are in compliance with OAC 5101:2-47-26.1, 2 CFR 225 and 2 CFR 230, and the cost report instructions. Place any instances of non-compliance on the Schedule S-1.		

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PAYROLL

	Program Step	Date/ Initials	Work Paper Reference
1.	Obtain a schedule identifying the total personnel salaries and fringe benefits, and re-compute total amount associated with the breakdown by program and service. Obtain written explanations from management for variances (disregarding variance(s) due to rounding). Document any explanation provided by management in the Agreed-Upon Procedures report.		
2.	Tie the total wages reported on the cost report to the amounts reported as salary expenses in the general ledger. Obtain written explanations from management for variances. Document any explanation provided by management.		
2a.	Tie the total agency payroll expense from the general ledger for the engagement period to the agency's 941s (Employers Quarterly Federal Tax Return). Obtain written explanations from management for variance(s). Document any explanations given in the Agreed-Upon Procedures report.		
2b.	Tie all payroll liability accruals to the payroll register, if applicable. Determine if services were provided during the cost reporting period. Identify any variance(s) and place on the Schedule S-1.		
2c.	Tie the total fringe benefit expenses reported on the cost report to the total fringe benefit expense(s) in the general ledger. Obtain written explanations from management for variances. Document any explanation provided by management.		
3.	Obtain and document the allocation methodology. Document the allocation of expenses as reported on the cost report by program and service.		
3a.	Verify the allocation methodology is allowable and consistent under 2 CFR 225 and 2 CFR 230. Obtain written explanations from management for variance(s) (disregarding variances due to rounding). Document any explanation provided by management in the Agreed-Upon Procedures report. <i>Please note this includes salaries reported on the Administrative Overhead Worksheet.</i>		
3b.	Verify the appropriateness of the allocation base selected. Ensure the same base is used across all programs including administrative and unallowable.		

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	Payroll (continued)	Date/ Initials	Work Paper Reference
3c.	For Title IV-E purposes, ensure all personnel costs are allocated to the appropriate direct or support column.		
4.	Verify the amounts on the single cost report for personnel expenditures in the Title IV-E, ODADAS, and ODMH programs and administrative overhead expenses are reported in accordance with the cost report instructions (i.e., are allowable and are reported on the appropriate line and column). Verify amounts reported to direct/support services as referenced on a distribution of activity report are in compliance with all applicable rules and regulations including, but not limited to, 2 CFR 225 and 2 CFR 230, and the cost report instructions.		
4a.	Document the methods of allocating payroll and fringe benefit expenses from the general ledger to the single cost report.		
5.	<p>Select a pay period during the engagement period and select 50% or ten (10) employees, whichever is less. Ensure the sample selected includes a minimum of two employees from each applicable program (Title IV-E, ODADAS, and ODMH). For the employees selected, document the following data:</p> <ul style="list-style-type: none"> • Employee number, • Employee name, • Position title, • Department, cost center or general ledger account charged, • Pay rate, • Regular hours worked, • Overtime hours worked, • Gross pay. 		

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	Payroll (continued)	Date/ Initials	Work Paper Reference
6.	For the employees identified in Step 5, perform the following in Steps 6a-6d:		
6a.	<p>From the personnel files, verify the following:</p> <ul style="list-style-type: none"> • Employee name, • Employee number, • Pay rate (with proper authorization of changes in rates) • Hire date, • Termination date (if applicable), • Department worked, • Job description (if no job description is available, obtain a written job description from management). <p>Verify the information from the personnel file agrees with the data in Step 5 and the distribution of personnel activity reports. Document any variance(s) in the working papers. Propose any adjustments on the Schedule S-1.</p>		
6b.	Tie hours worked to supporting documents (e.g., time cards, leave forms, salary schedule, etc.) and job schedules. Identify any variance(s) and place on the Schedule S-1.		

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	Payroll (continued)	Date/ Initials	Work Paper Reference
6c.	<p>Re-compute gross pay based on supporting documents (e.g., time cards, leave forms, salary schedule, etc.) and the pay rate listed. Identify any variance(s) and place on the Schedule S-1.</p> <p>Verify the following information:</p> <ul style="list-style-type: none"> ▪ The expense is located in the proper program, service, category, and type within the service (as defined in the cost report instructions) and is supported by the distribution of personnel activity reports, ▪ The location is in compliance with applicable rules and regulations and the cost report instructions, ▪ Amount by program, service, category, and type (as defined in the cost report instructions) is in compliance with applicable rules and regulations, 2 CFR 225 and 2 CFR 230 and the cost report instructions, ▪ Allocation of the expense is in accordance with the methodology verified in Steps 4-4c and is in accordance with the allowable methodologies of the particular program and service as defined in the cost report instructions and in compliance with 2 CFR 225 and 2 CFR 230, ▪ Compliance with all applicable rules and regulations including, but not limited to, 2 CFR 225 and 2 CFR 230, OAC 5101:2-47-26.1, and the single cost report instructions. <p>Note: Obtain a written explanation from management on any variance(s) or any potential non-compliance. Document any explanation provided by management.</p>		
6d.	<p>For all employees terminated or 20 terminated employees (whichever is less), scan two months of payroll registers subsequent to the termination. Identify and list payroll activity for terminated employees after the termination date. Obtain written explanations from management for any activity on subsequent payroll registers. Document any explanation provided by management in the Agreed-Upon Procedures report.</p>		

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	Payroll (continued)	Date/ Initials	Work Paper Reference
7.	Identify fringe benefits reported for each program and service in Steps 7a-7b:		
7a.	<p>Document the following items for fringe benefits reported for each program (Title IV-E, ODADAS, and ODMH which includes the administrative overhead worksheet) and service (program and service as defined in the cost report instructions):</p> <ul style="list-style-type: none"> ▪ Type(s) of fringe benefits, ▪ Expense Amount(s) by program and service (program and service as defined in the cost report instructions). Reported amount of fringes should be proportionate to reported salaries/wages, ▪ Account/Name and Number (General Ledger), ▪ Any Auditor Comments. 		
7b.	<p>Verify the following information for the fringe benefits reported for each program (Title IV-E, ODADAS, and ODMH) and service (program and service as defined in the cost report instructions):</p> <ul style="list-style-type: none"> ▪ The expense is located in the proper program and service (program and service as defined in the cost report instructions) and is consistent with the distribution of activity reports, ▪ Amount by program and service (program and service as defined in the cost report instructions) is in compliance with applicable rules and regulations, the cost report instructions, and 2 CFR 225 or 2 CFR 230, ▪ Proper authorization of the expense, ▪ Allocation of the expense is in accordance with the methodology verified in Step 4a and is in accordance with the allowable methodologies of the particular program and service (program and service as defined in the cost report instructions), ▪ Compliance with all applicable rules and regulations including, but not limited to, 2 CFR 225 or 2 CFR 230, OAC 5101:2-47-26.1, and the cost report instructions. 		

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	Payroll (continued)	Date/ Initials	Work Paper Reference
8.	<p>Identify the agency's policies for returning agency assets (e.g., phones, credit cards, laptops, keys, and pagers, etc.) upon termination. Inquire and identify if the agency has adopted and consistently adhered to these policies.</p> <p>Select two (2) employees terminated during the engagement period. Compare the handling of termination with agency policy and list any variance(s).</p> <p>Note if there is no policy or documentation for the policy in place.</p>		

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FIXED ASSETS

	Program Step	Date/ Initials	Work Paper Reference
1.	Obtain the fixed asset schedule and scan for additions and retirements during the engagement period. Verify the capitalization threshold used by the agency for cost reporting purposes is the capitalization threshold identified within the financial statement, or \$5,000, whichever is less. Obtain written explanations from management for variance(s) and document within the Agreed-Upon Procedures Report.		
2.	<p>Additions Select 20% or 10 additions, whichever is less, from the list obtained in step 2. Ensure a minimum of two additions from each of the applicable programs (Title IV-E, ODADAS, and ODMH which includes the administrative overhead worksheet) are selected. Identify and document the following for each addition, if applicable:</p> <ul style="list-style-type: none"> • Description of asset (include serial #), • Agency Identification #, • Invoice date, • Acquisition date, • Invoice amount, • Amount paid, • Useful life (verify minimum years used is at least equal to guidance in 2 CFR 225 or 2 CFR 230), • Depreciation taken, • Program, Service and category on the cost report, • Trace invoice to canceled checks, • Purpose of the asset, • Location of the asset. <p><i>Note: Straight line depreciation must be used.</i></p>		

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	Fixed Assets (continued)	Date/ Initials	Work Paper Reference
3.	Identify and inspect invoices and vouchers for all fixed assets purchased during the engagement period. Ensure the assets are properly reported from acquisition month and that depreciation for these items is accurately calculated for a partial year. In addition verify the depreciation is accurately reflected on the single cost report by program and service. Obtain a written explanation from management for any assets that cannot be located. Document any explanation provided by management in the Agreed-Upon Procedures report.		
4.	From the fixed asset schedule, select at least 5 additional items not selected in Step 2 above. Identify the location of the asset selected and trace the depreciation reported to its location (program/service/category) on the cost report. Obtain a written explanation from management for any assets that cannot be located. Document any explanation provided by management in the Agreed-Upon Procedures report.		
5.	Retirements (any asset no longer in use by agency) Select 20% or 10 retirements, whichever is less, from the list obtained in Step 2. Ensure a minimum of two retirements from each of the applicable programs (Title IV-E, ODADAS, and ODMH which includes the administrative overhead worksheet) are selected. Verify the correct amount of depreciation was reported on the cost report. Verify the retired fixed assets have been removed from the depreciation schedule.		
6.	From the depreciation schedule, with management identify any idle assets to ensure they are properly reported as non-reimbursable expenses (e.g., idle facilities, vehicles not being used, etc.).		

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	Fixed Assets (continued)	Date/ Initials	Work Paper Reference
7.	<p>Obtain a list of all equipment and/or assets that were fully expensed on the cost report in the current period. The list shall include:</p> <ul style="list-style-type: none"> • Description of asset (include serial #), • Agency Identification #, • Invoice date, • Acquisition date, • Invoice amount, • Amount paid, • Useful life (verify minimum years used is at least equal to guidance in 2 CFR 225 or 2 CFR 230), • The amount included on the cost report, • Program, Service and category on the cost report, • Trace invoice to canceled checks, • Purpose of the asset, • Location of the asset. 		
7a.	Obtain the list created from the previous year and verify the expenses are not included on the current depreciation expense reported on the current cost report. Obtain a written explanation from management for any assets that cannot be located. Document any explanation provided by management in the Agreed Upon Procedures report. Discrepancies shall be reported on the Schedule S-1.		
8.	Inspect lease agreements in effect during the engagement period. Verify any leased items are presently in use. Identify capital versus operating leases and ensure proper treatment of leases for cost reporting purposes. Obtain a written explanation from management for any assets that cannot be located. Document management's explanation in the Agreed-Upon Procedures report.		

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	Fixed Assets (continued)	Date/ Initials	Work Paper Reference
8a.	<p>Verify the following:</p> <ul style="list-style-type: none"> • Adequate documentation (e.g., signed lease/rental agreement) was maintained to support expenditure, • Lease is signed by appropriate personnel as specified in Agency policies and procedures, • Payment terms of lease (rental) agreement reconcile to the general ledger, trial balance and cost report, • Canceled check copy (paper or electronic) to substantiate disbursement, • Proper accounting treatment of lease payments (capital leases are depreciated and operating leases are expensed), • Lease payment is coded to the correct program area based on usage. If good/service is shared between programs and/or areas review allocation methodology, • Disbursement is reported in the correct cost report year, • Lease agreement is with a related party. 		

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STATISTICS

	Program Steps	Date/ Initials	Work Paper Reference
1.	Obtain a schedule for the engagement period listing by month the total paid child care days found on the agency's summary. Trace accumulated days to the total days shown on the Title IV-E Summary Schedule. Identify any variance(s) and document on the Agreed-Upon Procedures report.		
2.	Randomly select a month and compare the sum of the detail (census days per child) to that of the monthly summary. Identify any variance(s), and document on the Agreed-Upon Procedures report.		
3.	Using the test month above, select a sample of children to test census days (50% or 10, whichever is less). Pull the child's case records and prepare a schedule noting the child's name, admission and discharge dates, and total days the child was in the provider's care for our test month.		
3a.	Ascertain that the child was properly included in total days (as noted in the Statistics section of the cost report instructions) by tracing the child to daily census records for the test month. Report any variance(s) on the Schedule S-1.		
3b.	Verify either the day of admission or the day of departure is counted as the census day (not both). Report any variance(s) on the Schedule S-1.		
4.	Using the case record of the children from Step 3, review the ICCA, provider's billings (invoices) for that month, and the foster parent payments (verify compliance with the active license). Compare the census days to the days on the county payments. Compare the billings to the county payments for those children. Compare the ICCA foster parent maintenance payment to the cash disbursement journal. Identify any variance(s) and include in the Agreed-Upon Procedures report.		
5.	ODMH: For agencies who report expenses to ODMH, verify the units of service reported are in compliance with their respective cost reporting guidelines contained in OAC rules 5122-26-19 and 5122-26-191.		
6.	ODADAS: For agencies who report expenses to ODADAS, verify the units of service reported are in compliance with their respective cost reporting guidelines contained in OAC rules 3793:2-1-09 and 3793:2-1-10.		

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WRAP-UP

	Program Steps	Date/ Initials	Work Paper Reference
1.	<p>Attach to the report the following information:</p> <ul style="list-style-type: none"> ▪ A schedule of proposed cost and statistical adjustments (S-1) with an agency representative's signature, ▪ A copy of the most recent audited financial statements, ▪ A summary of non-compliance with applicable rules and regulations, ▪ A copy of the CPA's management letter from their financial statement audit, ▪ A signed original of the cost report. ▪ An electronic copy of the completed Excel version of the cost report should be emailed to ODJFS as stated in the cost report instructions, ▪ A copy of the related party listing and related party transactions for the cost report, ▪ A copy of the provider's representation letter to the CPA firm conducting the Agreed Upon Procedures engagement, ▪ A copy of any approved waivers requested by the CPA (if applicable), ▪ A copy of the ODJFS, ODADAS, ODMH or other state issued and approved provider license in effect during the cost report period as well as the license in effect at the time of submission of the cost report. <p>Note: Attach all items listed above. If any of the items listed above are not being included, please document the reason and attach to the report.</p>		

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