RAPID RESPONSE CONTRACT
TECHNICAL ASSISTANCE REPORT

ACF WEST-CENTRAL HUB TANF FINANCIAL MANAGEMENT AND REPORTING WORKSHOP

AUGUST 7-9, 2001
Addison, TX

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Rapid Response Contract
Technical Assistance Workshop Summary

Event: ACF West-Central Hub TANF Financial Management and Reporting Workshop

Date: August 7-9, 2001

Location: Addison, TX

I. Overview

The Administration for Children and Families (ACF), Region VI, Department of Health and Human Services (HHS) hosted this 2 ½-day workshop to provide a technical assistance discussion forum about financial management and reporting for representatives from Region VI and VIII states, as well as Federal representatives from Region IV, Region VIII, and the Central Office. The main purpose of the workshop was to provide technical assistance to help states comply with the fiscal reporting requirements contained in the final TANF regulation. Specific areas of focus included: allowable uses of federal TANF and state maintenance-of-effort funds, completion of the ACF-196 (Financial Reporting Form) and the ACF-204 form, general fiscal requirements, innovative uses of TANF funds by states, and national perspectives on trends in state welfare policy and spending choices. This summary highlights the main points from the workshop presentations and subsequent discussions. Each participant was provided with a reference binder entitled *"Putting the Pieces Together."* Included in this binder were the agenda, OMB Circular A-87, OMB Circular A-133, 45 CFR Part 92, Cash Management Improvement Act, Guide on Funding Services Thru TANF, TANF (Quarterly) Financial Report and Instructions, Annual Report on TANF, and State Maintenance of Effort (MOE) Programs and Program Instructions. This report covers the discussion and questions surrounding specific issues and concepts. The workshop agenda is included at the end of this report as Appendix A.

II. Participants

93 participants, including representatives from 10 of the 11 West-Central Hub states, 2 Regional Offices, and the Central Office, attended the workshop. The Speaker List and the Participant List are included at the end of this report as Appendix B and Appendix C, respectively.

III. Sessions

A. *Welcome and Opening Remarks*

Larry Brendel, Program Manager, Region VI, ACF, HHS
Leon R. McCowan, Regional Hub Director, West-Central Hub, ACF, DHHS

Larry Brendel welcomed everyone to the workshop on behalf of ACF. Then, he explained that based on state input, the workshop would focus on financial management and reporting issues. Mr. Brendel commented that ACF recognizes that with the myriad of reports and programs for which states are responsible, it is a challenge to put all the pieces together to ensure an effective TANF program, particularly one that works together with the various state and local partners. In addition, Mr. Brendel noted other important pieces of the puzzle, including ensuring that families have sufficient food, medical coverage, affordable, quality health care, and reliable transportation that enables them to work; ensuring that custodial parents receive child support and that non-custodial parents (NCPs) can support their children; focusing on education and training for low-income families; crafting services for families with special needs or multiple barriers to employment; and developing collaborative linkages among employers, community-based organizations (CBOs), and faith-based-organizations (FBOs) to combine their resources and talents to create jobs, support work, and make low-income families more viable. He emphasized that TANF funds are much more flexible than funds under prior programs, and states should assume that they may use these funds innovatively to achieve the goals of TANF.

Mr. Bendel closed by noting that ten of the eleven states in the West-Central Hub were represented at the workshop. Then, he introduced Leon R. McCowan, West-Central Hub Director for ACF.

Mr. McCowan thanked the ACF Region VI and VIII staff, the ACF Central Office staff, and the state partners for attending the workshop. He remarked that this workshop was timely as the fifth anniversary of PRWORA approaches. Mr. McCowan expounded upon a recent White House forum that he had attended noting that Dr. Wade Horn challenged Regional Administrators to evaluate all of the decisions they make and the policies they implement in terms of how they impact the well-being of children. Mr. McCowan issued the same challenge to the workshop participants.

Mr. McCowan encouraged everyone to take full advantage of the training and technical assistance opportunities that are available. He then introduced Jack Tweedie, National Conference of State Legislatures (NCSL).

B. *Trends in State TANF Policy*
Jack Tweedie, National Conference of State Legislatures

Mr. Tweedie works with states and legislatures at NCSL. He began his presentation with an overview of the current state of welfare reform, describing what states have done with their TANF programs.

<u>CURRENT STATE</u>

State reform of TANF programs started in the early 1990s and focused on work; Federal reforms followed. Since August 1996, there has been a 50% decrease in the TANF caseload, resulting in a sharp decease in cash assistance. Therefore, more money is available to fund other services.

According to Mr. Tweedie, studies show that most former recipients are finding jobs and most wages are somewhat above the minimum wage. It has been shown that earnings for former recipients increase over time, between 10% to 20% during the first year. These earnings gains are larger if recipients stay in the same jobs. However, most families do not earn enough to leave poverty.

Twenty-one states have hit time limits, and twenty states have terminated benefits due to time limits. States take very different approaches to time limit exemptions and extensions with different outcomes. In Massachusetts and North Carolina, families who have left welfare because they hit the time limit appear to be doing just as well as those who have not. In South Carolina and Utah, families leaving welfare because of time limits appear to be doing worse. Thus, time limits in these states appear to be having the same effects as sanctions.

Mr. Tweedie also remarked that, along with the decline in welfare caseloads, there has been a sharp drop in Food Stamp and Medicaid caseloads. Approximately 30% to 40% of families that leave welfare but remain eligible for Food Stamps, no longer receive them. Many states are trying to do something to reverse this trend.

Most former recipients report that they have more money and life since they left welfare; approximately, one-quarter of former recipients report that they are worse off. However, two-thirds of families report that life remains a struggle. For instance, many families face hardships such as not having enough money to buy food or pay rent or utilities. So far, though, there is no evidence that large numbers of families are facing severe deprivation such as becoming homeless or losing their children.

Of those families who have left welfare but are not working, 20-30% return to welfare; 25% have a spouse or partner who is working; 25% receive SSI or other assistance; and 50% have no stable support (they rely on families, friends, etc.)

KEY ISSUES

After discussing the current state of welfare reform, Mr. Tweedie reviewed the key issues surrounding welfare reform today. A lot of big decisions involving welfare are coming up in the near future, i.e. Reauthorization, but it is not getting the same attention that it did in 1996. This level of attention is necessary to make changes. According to Mr. Tweedie, getting the attention of both state and federal-level policymakers is a key challenge for welfare reform stakeholders.

Stakeholders need to help policymakers understand the effects of potential policy changes. Mr. Tweedie identified some key issues for policymakers to understand:

- **Hard-to-Serve population** – many recipients who remain on the welfare caseloads have substance abuse, domestic violence, depression, and other mental health issues. Only recently, has there been a focus on these tough challenges and programs and expectations for this population have only started to be developed. It is not known what works for this population, so it is vitally important to do evaluations and get the word out about promising practices. States have to invest in, and structure, programs so that they can evaluate how effective they are.

- **Time limits** - 39 states have 5-year time limits. States have a variety of exemptions and extensions, but many states do not yet have clear policies on exemptions.

- **Post-employment Services** - 1/3 of leavers work consistently, 1/3 work inconsistently; 1/3 does not work at all. States need to focus on job retention and career advancement for leavers. As new programs are developed, states must assess their effectiveness.

- **Expanding services to the working poor** – this presents issues of costs, eligibility/take-up, and fairness. Many states provide services through child care, transportation, education, and job-training support/assistance programs. A lot of states are paying attention to this area now.

- **Anti-poverty goals** – expanding the goals of welfare reform to move people off welfare, into jobs and toward self-sufficiency. While many states are not taking up anti-poverty goals, several states have formally adopted anti-poverty goals. Their strategies include better jobs, earnings advancement, and tax credits (supplementing EIC to reward families for working). A number of states are focusing more on education to develop work-life skills.

- **Marriage and family formation** – there is a Federal Priority initiative in this area. Questions arise as to the appropriate action that government should take in this area. How can government appropriately work to promote marriage and involvement of two parents with their children (even if they are not living together)?

- **Non-custodial fatherhood programs** – many states are developing statewide programs to help NCPs earn more and develop better parenting skills. Many states are trying to figure out how to replicate successful local NCP programs.

- **Beyond welfare-to-work** – early childhood programs, i.e. Head Start, after-school programs; and child protection/child welfare services need to be examined. It is important to evaluate the effectiveness of these programs to see what is working. It is helpful for states to look at what other states are spending their funds on and then borrow their good ideas. States need to base their choices for programs on what works; reliable information is needed to make those choices.

- **Engaging community and faith-based organizations** – Charitable Choice provisions the 1996 Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) make partnering with FBOs easier. Partnering with FBOs requires an examination of their functions, capacity, accountability, and religious activities.

FEDERAL ISSUES – REAUTHORIZATION

Mr. Tweedie concluded his presentation with a look at the federal issues surrounding reauthorization of several social programs. He listed the following programs that are due for reauthorization or other statutory changes in 2002:

- TANF;
- Child Care Development Fund;
- Assistance for Legal Immigrants;
- Food Stamps; and
- Child Welfare.

He emphasized that at the state level, it is important to think about how to help shape the federal debate about TANF reauthorization so that it recognizes the innovations and the variety of actions taken to date. There is a need to educate those at the Federal level of government about the state programs. Mr. Tweedie stated that TANF is perhaps the most successful social program since Medicare or Social Security. He attributes its success to the flexibility given to states to develop programs around areas of concern.

In Mr. Tweedie's opinion, it is too early to tell what is going to happen with TANF reauthorization. Congress and the Administration are currently concentrating on other issues and have not focused on questions of welfare reform. States are still in the process of implementing responses to the flexibility and availability of resources afforded under PRWORA, and there is good reason to think that programs and spending patterns are changing. Another factor in the reauthorization debate will be the state of the economy.

Mr. Tweedie believes that a critical question surrounding reauthorization is whether TANF is seen as a cash assistance program or as funding states' programs to serve low-income families, reduce out-of-wedlock pregnancy, and strengthen two-parent families. Several areas that Congress will look at during the reauthorization debate include:

- **Funding issues** – amount of Federal block grants, State MOE, allocation among states, Contingency Fund and supplantation;

- **Time limits** – exemptions; "stopping the clock"; and helping states recognize the flexibility with MOE

- **Floundering families** – long-term recipients who have not left cash assistance; families who have left welfare, but who are not working and have no stable means of support; families returning to welfare; and deep poverty;

- **Continuing supports** - reauthorization of the Food Stamp program; Medicaid/State Children's Health Insurance Program

- **Supporting working families** - job retention and earnings gain; Earned Income Credit (EIC), education (flexibility and work participation rates); anti-poverty measures, goals, and incentives;

- **Family formation** –non-marital births; teen births; after-school programs; marriage promotion; fatherhood programs; sanctions, and domestic violence. .

Mr. Tweedie feels there will be strong federal pressure to "earmark" a percentage of funds for family formation programs. He believes that the best way for the federal government to approach this is to show states what programs work and how to implement them rather than setting minimum funding levels.

While waiting for TANF reauthorization, Mr. Tweedie advises that states:

- Continue to focus on work – job entry, retention, advancement;

- Continue to use their spending and program flexibility;

- Continue to spend the money without supplanting, i.e., develop new programs; and

- Communicate with Congress and the Administration to help them understand what states have done.

In closing, Mr. Tweedie advised states to invite Fed legislators to visit state programs so that they can see the results of what states are doing beyond cash assistance.

C. General Fiscal Requirements, Part I: OMB Circular A-87, A-133 Audit Compliance, and 45 CFR Part 92

Marisu Fenton, Grants Advisor, Region VI, ACF, DHHS
Janice Pruitt, Grants Officer, Region VI, ACF, DHHS

Ms. Fenton began her presentation by discussing the importance of the finance "side" of the house. She explained that programs are focusing on results and outcomes which means they must be measured in numbers. Congress and the public are concerned about money and they want to know that they are getting what they paid for, what they're getting, and the most efficient way to do it. Data for measuring results have to be consistent and reliable. For these reasons, Ms. Fenton pointed out that financial management is an important and necessary part of the business; and those in attendance at the workshop are improving the lives of children.

When trying to determine "can we do this and where does it say we can or we can't?" The most frequent answer is, what kind of grant to do you have, who are you, and what does your grant award say? Ms. Fenton reviewed the Order of Precedence that is followed when there are conflicts between statutes, regulations, and policies. The Order of Precedence, from highest to lowest, is:

1. Federal Statutes – the statutory requirements; the authorizing legislation for a program; however, this rarely gives the details needed to make certain decisions
   a. Program

    b. Administrative
2. Regulations – they have the force and effect of law
    a. Program
    b. Administrative
3. Special Terms and Conditions
    a. Included in the Grant Award
        i. Directly
        ii. By Reference
            1. Program Instructions
            2. Procedures (Payment Management System)
4. State Plan – document that reflects the unique program for each state

Statutes Pertaining to the Administration of TANF include:

1. TANF
    - Title IV-A of the Social Security Act
    - Amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. 104-193
    - 42 USC 601-619
2. Cash Management Improvement Act of 1990 (CMIA)
3. Single-Audit Act of 1984, as amended in 1996
4. Various Appropriations Acts
5. Anti-discrimination Acts

Regulations – carry the force and effect of law, so there is an exact process for implementing them:

1. Prepared and implemented following procedures requiring
    a. Public Notice (Notice of Proposed Rulemaking - NPRM)
    b. Public Comment
    c. Adequate Response Time

2. Final Publication in the Federal Register– then have the force and effect of Law
3. Code of Federal Regulations (CFR) – annually, all Final Regulations are rolled into the CFR

TANF Regulations

   a. Begin at 45 CFR 260
   b. Published 4/12/99 in Federal Register
   c. Effective 10/1/99

CMIA Regulations are codified in 31 CFR 205

The Common Rule

- Starts with OMB Circular A-102
    1. Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local and Indian Tribal Governments
    2. In 1987, President directed Federal agencies to issue grants management common rules
    3. Last revised in 1997

- 45 CFR Part 92 – HHS implementation of the *Common Rule*; discusses administrative systems
- Standards for Administrative Systems
    - financial
    - procurement
    - property
    - personnel

- States generally required to follow same rules as for State funds
- States required to monitor and enforce requirements of Part 92 in its sub-awards

Important to remember that states are responsible for ensuring that their sub-recipients are complying with the administrative requirements of the grant.

After reviewing the Order of Precedence, Ms. Fenton discussed the standards for Financial Management as listed below:

- Fiscal Control & Accounting Systems
    - Report preparation
    - Tracing expenditures to source documents
    - Internal control
    - Budget control
- Payment Methods
    - Advances or reimbursement
    - Cash management
- Allowable Costs - the applicable cost principles are determined by the type of recipient or sub-recipient
    - State, local & tribal governments - OMB Circular A-87
    - Colleges and universities - OMB Circular A-21
    - Non-profits - OMB Circular A-122
    - Hospitals - 45 CFR 74, Appendix E
    - Commercial organizations - 48 CFR 31

Cost principles dictate that Allowable Costs must be allowable, reasonable, necessary, and allocable. The guide for Developing Cost Allocation Plans is ASMB C-10.

The principle behind Cash Management, Ms. Fenton explained, is that grantees must minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the State or sub-grantees. Therefore, states must monitor cash draw downs by their subrecipients to assure conformance to the same cash management standards. The CMIA addresses the penalties for failing to meet these standards.

The Single Audit Act Amendments of 1996, as contained in Revised OMB Circular A-133 (August 1997), apply to all types of non-commercial recipients and sub-recipients and require an annual system-wide (statewide) audit, which is due within 9 months of the end of the state's fiscal year. States are required to determine compliance by their sub-recipients. There are four main parts to the Audit Report:

- Auditor's opinion on financial statements
- Report on internal controls
- Report on compliance with program requirements
  - A-133 Compliance Supplements issued annually
  - TANF Supplement include
- Findings

For the TANF program, the Non-Federal audit report is submitted to the Federal Clearinghouse, which sends it to the HHS National External Audit Review Center (NEAR). After NEAR examines the report, they send it to ACF. ACF Regional Offices, in cooperation with the Central Office, make the final determinations on the TANF findings. Audits must be closed within 6 months of NEAR's "Issue Date". Disallowances can be appealed to the HHS Departmental Appeals Board.

Ms. Fenton noted that, if dollars are transferred out of TANF to another block grant program, i.e. CCDF, then those funds are subject to the CFR Parts that cover those block grants into which the funds were transferred.

HHS or the Comptroller General may conduct federal audits. States are required to retain records for 3 years from the date of submission of their final

Federal Fiscal Year Expenditure Report. If an audit, litigation or other action begins within that 3-year period; the records must be retained for a longer period.

In closing, Ms. Fenton provided the following list of TANF Fiscal resources:

- Dallas Regional Office, Administration for Children and Families/Dallas Regional Office, 1301 Young Street, Room 945, Dallas, TX 75202:
  - Robert Sluss, TANF Program/Financial Specialist - 214.767.8077
  - Marisu Fenton, Grants Advisor - 214.767.2965
- Internet Resources:
  - HHS GrantsNet - www.hhs.gov/grantsnet/
  - OMB Circulars - www.whitehouse.gov/omb/circulars/
  - TANF - www.acf.dhhs.gov/programs/ofa/
  - ACF West-Central Hub - www.acf.dhhs.gov/programs/wchub/

D. Use of Federal TANF and State MOE Funds

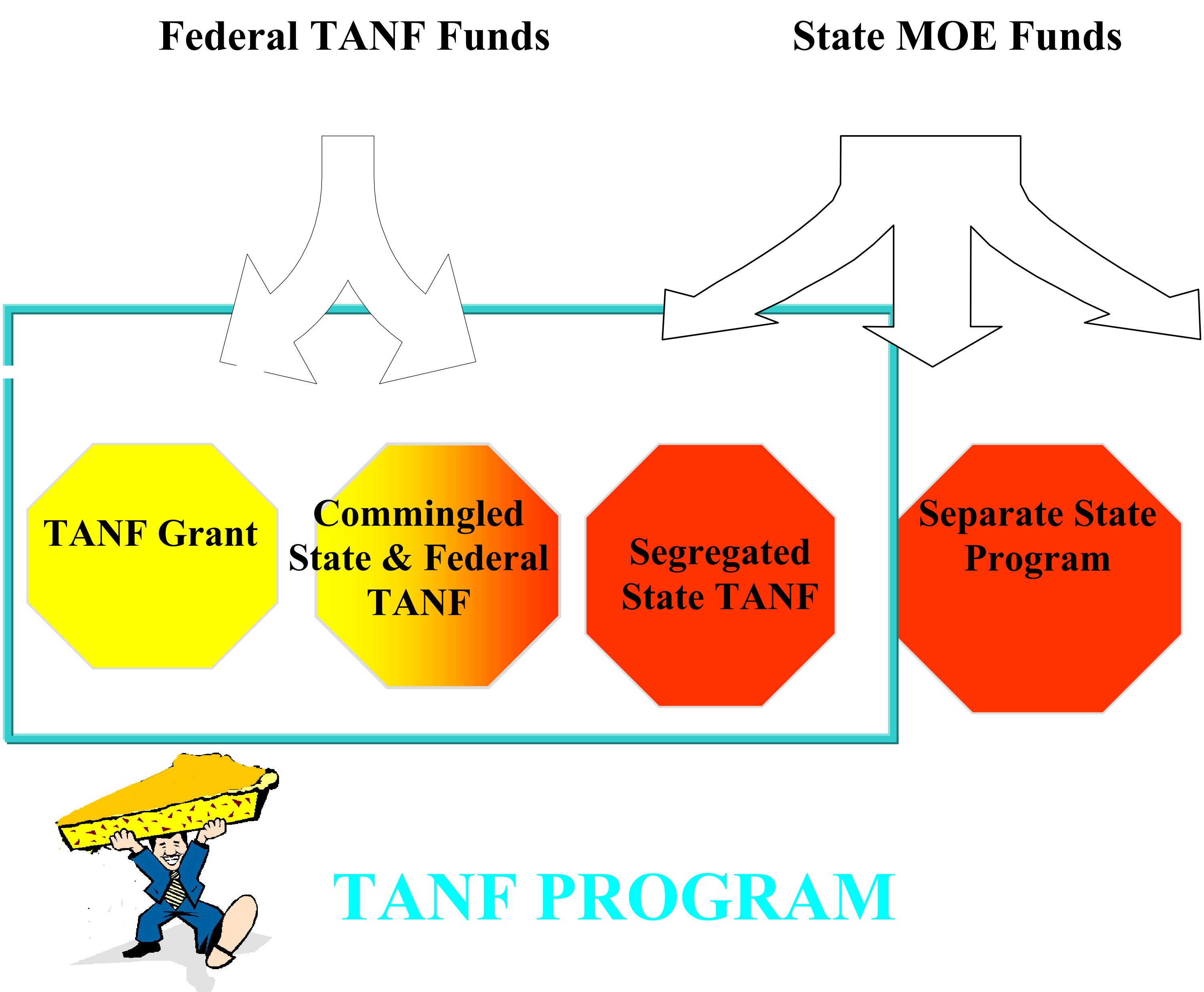
Elaine Richman, Program Specialist, OFA, ACF, DHHS
Oscar Tanner, Grants Policy Specialist, Office of Financial Services, ACF, DHHS

Elaine Richman began the presentation by reviewing the principles that states need to keep in mind when determining how they are going to spend their Federal TANF and State MOE money:

- Who do you want to help?
- How do you want to help? (assistance, non-assistance, or both)
- Which funds should you use? (Federal block grant funds or state MOE funds)

There are several potential funding options that states need to consider. Each funding arrangement has its own set of limitations around what can be done with the money.

Potential Funding Options



Commingling state and federal TANF funds is the most restrictive option because so many rules apply, including state MOE regulations, TANF regulations, and federal block grant regulations. In addition, only family members can be helped with commingled dollars.

<u>STATE MOE FUNDS</u>

State MOE funds have a cost-sharing requirement. The state is given a specific amount of money to spend every year that they participate in the TANF program. There are strict guidelines in distributing these funds. An eligible family must meet two criteria:

- Include a child living with his or her custodial parent of other adult caretaker relative (or a pregnant woman;
- And be financially eligible according to the appropriate income/resource standards established by the State in its TANF plan.
- Eligible families include those eligible for TANF assistance, as well as those who would be eligible, but for the time limit on the receipt of federally funded assistance or PRWORA's restrictions on benefits to immigrants. Thus, eligible families may include certain non-citizens.

<u>BASIC USES OF FEDERAL TANF FUNDS</u>

The purposes of TANF funds are to:

- Provide assistance to needy families;
- End dependence of needy parents by promoting job preparation, work and marriage;
- Reduce and prevent out-of-wedlock pregnancies; and
- Encourage formation and maintenance of 2-parent families.

Expenditures that qualify include cash assistance, childcare assistance, educational activities, and administrative costs.

E. General Requirements, Part II: Cost Allocation and Blended Funding

Marisu Fenton, Grants Advisor, Region VI
Janice Pruitt, Grants Officer, Region VI
John Allen, Grants and Contracts Specialist, DOL, Region VI

Cost allocation is the process by which costs are assigned to particular cost objectives according to the relative ***benefits received*** by each. There are direct costs and indirect costs. Direct costs can be identified specifically with a particular final cost objective. If you are only doing one program, everything is a direct cost to that program. It becomes complicated when you start doing more than one program. Indirect costs are incurred for a common or joint purpose, benefit more than one cost objective and are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Typical indirect costs include organization-wide administration, e.g., accounting, data processing, procurement, personnel, payroll and executives.

Administrative cost may be treated as direct of indirect costs. Indirect costs may be administrative or programmatic. Other types of cost allocation plans are discussed in OMB Circular A-87. Central service cost allocation plans apply to government agencies such as:

- Computer Services (IT agencies)
- Procurement (General Services agencies)
- Legal (Attorney General offices)
- Accounting (Comptroller agencies)

Ms. Janice Pruitt explained that state, local, and Tribal government must follow principles. These principles are found in OMB Circular A-87. When government entities want to blend funds with non-profits or non-government entities (to provide services) the rules are different. Blending can be used with TANF funds in the case where childcare is provided to Head Start services. For example TANF and childcare funds can be blended to link childcare and Head Start services for full day and full year care.

Mr. John Allen discussed the fiscal principles that apply to Welfare-to Work (WtW) and Workforce Investment Act (WIA). Fiscal policies for WtW and WIA are basically the same as for TANF (see OMB Circulars). The Department of Labor has codified them in 29 CFR Part 97 (for state, local governments and tribes) and 29 CFR Part 95 (for nonprofits). For more information, go to GPO website – www.access.gpo.gov. The golden rule of cost allocation is that costs must be reasonable, reasonable, necessary, and allocable.

Mr. Allen explained that blended funding should be used to make a variety of programs as seamless as possible. The cost allocation section in the binder explains the concept of cost allocation and resource sharing from the DOL's viewpoint. See www.doleta.gov to get the most recent version of this document. Resource sharing is how these costs (allocated costs) will be shared to provide better services to DOL clients. DOL is in the process of changing the definition of administrative costs for WIA and WtW. The rule will be published on DOL's website.

The following are questions and answers following the presentation:

- How can TANF and WtW/WIA work together?

Use WtW or WIA funding when there is no other funding is available. Most of the money is being managed by grantees at the local level with tremendous amount of flexibility.

- What is best for the client? What is needed now?

If no TANF money is left available for childcare in a local community, then WtW/WIA funds can be used for childcare. WtW is a little more restrictive than WIA, but both can provide extensive services to clients. Allowable WtW/WIA services include: childcare, transportation, GED, skills-training, remedial education, job development, work experience, job search, etc. In general, WtW and WIA are decentralized programs, so spending decisions are made to the local level. Linkages between TANF, WtW, and WIA are important at the local level.

WtW funds can be used more easily and are more readily available than TANF funds. If TANF funds are not available or not readily available, then WtW funds can be used if the decision is made to do it at the local level. DOL is encouraging their WtW grantees to work with TANF agencies to provide services to clients.

- Where WtW/WIA and TANF are not working well together, is it attitudinal or structural problem?

Many at the local level believe that the problem is structural; John Allen cited examples of attitudes that interfere with collaboration: Don't know how to work with them, different rules, not located near each other, etc. There are many examples where the programs are working together, so he believes that there are ways of overcoming the structural difficulties if the agencies have a desire to do so.

Examples of blending funds b/w TANF and WtW: establish a common intake for many programs (WIA, WtW, TANF). The costs could be allocated based on the number of referrals to each program.

F. Completion of the ACF-196/TANF Grants and Related Financial Issues

Peter Thompson, Financial Management Specialist, Office of Mandatory Grants, ACF, HHS

Oscar Tanner, Grants Policy Specialist, Office of Financial Services, ACF, HSS

Peter Thompson began this session by explaining the process by which States request federal TANF funds. These funds, known as State Family Assistance Grants (SFAG), are issued quarterly based on the estimate requests from grantees. OMB has rules that limit the proportion of funds that can be requested in a quarter. States enter their estimates for requested funding on Line 12 of the ACF-196 form. Supplemental and High Performance Bonus awards are issued at 25% per quarter, and bonuses for reducing out-of-wedlock births are issued in their entirety.

Mr. Thompson further explained that for any fiscal quarter, a state might receive grants of no more than 30% of its SFAG amount, as defined by Section 403(a)(1)(b). For any three contiguous or non-contiguous fiscal quarters in a fiscal year, a state may receive grants of no more than 80% of it's SFAG; conversely, a state can not request less than 20% of its SFAG in a quarter and stay within its limitations for the other these quarters.

TANF awards are issued quarterly on October 1, January 1, April 1, and July 1, through ACF/Office of Mandatory Grants. The original awards go to the grantees and copies go to the Regional Offices; these are mailed 2-3 days prior to the beginning of each quarter. The Terms and Conditions for the awards are mailed with the first award action of the fiscal year, and they outline important provisions of the law and regulation. The Terms and Conditions include references to the following items:

- Citations in SSA;
- Unobligated balances;
- Obligation of non-assistance funds;
- Transfers to CCDF and SSBG;
- ACF-196 Report requirements;

- Single audit requirements;
- American-made products;
- Public Law 103-333; and
- GAO Fraud and Abuse Hotline

Federal TANF funds are made available through the Division of Payment Management (DPM) (**http://www.dlpm.psc.gov**), a clearinghouse for federal agencies to get funds to states. DPM provides a mechanism for awarding agencies to deliver funds to grantees, but it does not issue the award. Funds are drawn through the Payment Management System (PMS) in one of three ways:

- SMARTLINK II - personal computer; most states use this method;
- CASHLINE - touch-tone telephone; many tribal programs use this method; and
- Automated Clearing House (ACH).

SMARTLINK II and CASHLINE both use electronic funds transfer systems and the funds are usually to the state the next day. ACH is a next-day, direct deposit system. To determine the total amount of the quarterly draw for each state, DPM subtracts the federal cash balance that the state has on hand from the state's expected distribution amount. The difference is the draw amount for that quarter.

Two financial reporting forms are required for TANF Grants: the Federal Cash Transactions Report, PSC-272-A, and the Temporary Assistance for Needy Families ACF-196. The Federal Cash Transactions Report, PSC-272-A, is due 45 days after the end of each quarter. It shows the award authorization and prior cumulative disbursements reported against individual awards. The report also reflects disbursements cumulative through the current reporting period. A thorough description, overview, and instructions for completing the PSC-272-A form may be found on the Web at

http://www.dpm.psc.gov/reports. The ACF-196 is due 45 days after the end of the quarter and is used to report expenditures and estimates for the TANF program. States submit the original form to the Central Office in Washington, DC and send copies to the appropriate Regional Office.

The ACF-196 is used to track expenditures and show trends in how states are spending their money. Mr. Thompson reminded the participants that states must submit separate quarterly reports regarding the use of each fiscal year's funds until the state reports that all of the federal funds awarded from a given fiscal year have been transferred or expended. He also emphasized that states must keep the fiscal years separate. Mr. Thompson then provided general instructions and line-by-line instructions for completing the ACF-196 Financial Reporting Form. A copy of his Power Point presentation is included in the workshop reference binder.

G. A National Perspective on State TANF Spending
Ed Lazere, Center for Budget and Policy Priorities
Zoe Neiberger, Center for Budget and Policy Priorities

The CBPP collects ACF-196s directly from states two times per year. This presentation is based on the data that CBPP has collected directly; this data varies slightly than what is on ACF's website – CBPP is working with ACF to determine why there is difference.

Base TANF block grant funding was set at $16.5 billion annually, when welfare caseloads peaked. Falling welfare caseloads have freed up a welfare caseloads peaked. Falling welfare caseloads have freed up a substantial amount of TANF funds that can now be used for other purposes or saved for a "rainy day." States are required to maintain spending from their own funds at 80% of their 1994 AFDC spending, or 75% if they meet the TANF work participation rates.

There are two categories for identifying unspent TANF funds: Unliquidated obligations and unobligated funds. While unliquidated obligations are intended to reflect funds that have been committed through contracts, it appears that states are not identifying these obligations consistently. Twelve states reports having only unobligated funds. Ten states report having only uniliquidated obligations. CBPP measures unspent funds as the combination of the two categories.

The reasons for unspent TANF funds are that states did not expect massive caseload declines and initially were not prepared to re-invest savings. Every year states have left some TANF funds unspent, but the amount of funds unspent is decreasing. In 1997 and 1998 roughly $3 billion remained unspent, but in 1999 and 2000 only $1 billion remained unspent. In 2001 states collectively will spend more than 100 percent of the annual allocation, requiring them to dip into reserves.

H. TANF Fiscal Policy Guidance

Oscar Tanner, Grants Policy Specialist, Office of Financial Services, ACF, HHS
Elaine Richman, Program Specialist, OFA, ACF, HHS

Oscar Tanner introduced this fiscal policy guidance session by stating that TANF is covered by 45 CFR Part 92. He explained that TANF grants are awarded to states; therefore, states are the grantees. The definition of "grantee" may be found on page 403 of 45 CFR Part 92. The definition of "obligation" as it relates to the TANF program may also be found on page 403 of 45 CFR Part 92. It declares that states cannot obligate funds from a prior year to itself, which would include any state agency at the same level of governing as the lead agency. However, states can establish MOUs with other state agencies as a reimbursable expense with current year funds.

The policy regarding AFDC Overpayments is addressed in TANF-ACF-PI-2000-2. The current rules contain two basic guidelines which are based on when the overpayment was made (regardless of when the collection is received):

a. If the overpayment was made prior to midnight on September 30, 1996, (AFDC overpayment), and state collects it, then the federal share of the overpayment is owed back to ACF; the state share can go back to the state general fund or can be spent back in the TANF program in the current year.

b. If the overpayment was made on, or after, October 1, 1996, (TANF overpayment), and the state collects it, states can not net it, it does not get put on the ACF-196, and states can not claim it as state MOE; but, states must spend it in the TANF program and maintain separate records of the federal/state share.

The policy regarding the drawdown of Federal TANF funds is addressed in TANF-ACF-PI-01-02. It declares that as states draw federal TANF funds to cover allowable expenditures, they should be spending proportionate amounts of federal and state funds until the state MOE requirement is met, then states can draw all federal funds until the end of the federal fiscal year.

I. Completion of the ACF-204

Elaine Richman, Program Specialist, OFA, ACF, HHS

Elaine Richman explained that the ACF-204 is a two-part annual report and is due at the same time as the fourth quarter Data Report. She explained that the Central Office recognizes that the completion instructions may be lacking some information. However, she stated, that there would be no clarifying instructions issued this year. The Central Office uses the ACF-204 reports to note trends and innovations that states are implementing in their TANF programs. They then use this information to prepare their report to Congress, so it is important to make sure these items are captured accurately.

Ms. Richman noted that there is a tendency for this annual report to be completed by one set of people in the state and the financial report to be completed by another set of people in the state. She implored states to have these two groups of people get together to compile the reports. This is especially important to ensure that the state MOE amounts are consistent between the two reports. According to Ms. Richman, the state MOE amounts that are reported on the two reports are often inconsistent with each other.

Ms. Richman noted some areas of the ACF-204 report that appear to be problematic:

- All MOE expenditures, reported in attachment B, made in the TANF program should be included on the ACF-204 regardless of whether the funds were TANF MOE funds or separate state program MOE funds.

- States have been giving a list of their work activities, but have not been classifying them into the 12 categories of work activities as set forth in the Social Security Act.

- Item #5 - Family Violence Option – include the number of Good Cause Family Violence waivers that the state has issued. If no waivers were issued, please indicate "N/A".

- Item #6 – Describe non-recurrent short-term benefits.

- Item #8 – What the state is doing to meet TANF purposes #3 and #4. Central Office needs a summary of what States are doing in these areas;

expenditure data is not needed, just narrative information. States can include their two-parent programs in this item because they are related to purpose #4.

Ms. Richman noted problem areas on the Annual Report on state MOE programs.

- Item #1 – Name of Benefit or Service Program – too many states label the benefit “TANF”, which is not very informative. The instructions indicate that states must differentiate among programs based on the nature of the benefits and services provided. Please delineate the programs, e.g., child care, after-school programs, transportation, etc. This is the place to “brag” about your programs.

- All other items, Lines 2-11, clarify what was included in Line #1. For instance, if childcare is entered in Line 1, describe what the state is doing in this area and how it is being funded. Each of the other 9 items serves to provide more detail about what was entered in Line #1. States must complete an ACF-204 for each MOE funded program.

- Line 6 – include only total state expenditures; if commingling dollars, identify the amount of state expenditures out of those commingled funds.

- Line 7 – indicate how much of the expenditures of Line 6 the state is claiming as MOE. States may be claiming only part of their expenditures from a program because the program may also be serving families/individuals who are not eligible under TANF.

- Line 8 - indicate the number of eligible TANF families that you are serving.

- Line 9 – describe the state's financial eligibility criteria and any other eligibility criteria.

- Line 10 and Line 11 - are for the Central Office to learn about new spending. If the answer on Line 10 (Prior Program Authorization) is no, it does not necessarily mean that the state is subject to the new spending requirement. The program may have begun after PRWORA was enacted, in which case the new spending limitation does not apply.

Ms. Richman explained that when the Central Office asks for clarification on state annual reports, it does not mean there is a problem; it just means that the Central Office does not understand what they are looking at. The Central Office compares the ACF-204 annual report with the 4th quarter Financial Report. If the reports do not agree, Central Office staff will call the state for clarification so that the state and its programs are not misrepresented.

In states where money is devolved to the counties, states do not need to complete an ACF-204 on each program in each county. However, indicate how much the state is giving to each county and how it is being used, e.g., job search assistance.

When asked how states should hand reporting their administrative costs, Ms. Richman responded that states can either:

- Submit a separate ACF-204 for their administrative costs; or
- Include the allocable administrative costs with the ACF-204 for each program, indicating that the figures include administrative costs.

In closing, Ms. Richman strongly encouraged the fiscal "side of the house" and the program "side of the house" in each state to get together to make sure their figures agree before they submit their reports. She pointed out that, if this does not happen on the front-end, states will eventually have to deal with it during an audit.

J. State Panel on Innovative Uses of TANF Funds

Ann DeVillier - Louisiana

In LA, state agencies cannot spend a single dollar without legislative approval. The state is in the process of working with the state legislature, ACF, etc. to determine what uses funds could be used. When the appropriations bill was signed in June, ended up with 24 new spending initiatives, but only 5 were administered through DSS (Department of Social Services). They met with agencies to discuss TANF requirements, etc. with those agencies that would be administering these other programs; and developed MOUs. Also, a request was made to receive program descriptions, including the target TANF population. This information was then compiled and submitted to the state legislature as their implementation plan. The state legislature approved the implementation plan last week. DSS refers to these other agencies as their TANF partners. DSS sees their role as helping these other agencies understand their role and help them adjust to the regulations and requirements of receiving Federal TANF dollars. DSS has vested interest in helping these other programs succeed.

Some examples of these programs are:

- Department of Education: Pre Kindergarten
- LA Supreme Court: Truancy
- Office of Women's Services: Domestic Violence
- Department of Corrections: Job Skills Education Program
- Office of Family Support: Emergency Assistance

The legislature determined that the Division of Administration for the state, has been given oversight and evaluation responsibility for all of these programs; DSS is not responsible for this. This funding is one-time funding.

Marise McFadden – New Mexico

New Mexico's TANF program is called the New Mexico Works Program. As of 2000 New Mexico's population was 1.8 million. The state is fifth in geographic size, 36th in the number of residents, and has an unemployment rate of 6.1%

2.1% of the U.S. population receives TANF funds. 2.9% of New Mexico residents receive TANF funds. The state has a TANF cash assistance budget, which can be used for: Education works, clothing, support services, wage subsidy, transportation subsidy, domestic violence and TANF contracts.

GRADS (Graduation, Reality, and Dual-role Skills) is a very successful program which focuses on educating and assisting young mothers of high school age. The program aids in establishment and support for on-site childcare centers in schools, develops employable skills, and focuses on economic independence.

A three-year longitudinal study by Maximus, Inc. examines the outcome of welfare reforms on families currently receiving assistance under the New Mexico Works Act, as well as families that no longer receive cash assistance. It found that because New Mexico has high-earned income disregard that recipients can receive higher income and still remain on the cash assistance rolls. The average monthly income of TANF recipients is slightly higher than the national average because the higher income disregards allow a family to remain on assistance and improve their earnings and work history before being removed from the rolls. The study also shows that increased education consistently improve the employment and earning potential, while decreasing the length of time on assistance.

Clarrissa Olson – Texas

The Texas Department of Human Services has a number of programs to aid individual who are in need of financial assistance, such as:

- Cash Assistance
- One-time payments
- One time grants

The Texas Workforce Commission provides employment-related services and programs, such as

1. Job Search
2. Job Skill Training
3. Educational Services
4. Parent Skill Training
5. Vocational education training

Protective and Regulatory Services also provide services to the community:

- Family based services
- School dropout and delinquency conduct prevention services
- Family outreach
- At-risk mentoring

TANF converted funds are funds that do not directly fall under a TANF program but apply to one of the four objectives of TANF. Examples of these converted fund programs are:

- Family violence
- Child care
- Family planning services
- Early childhood intervention

Cathy Pappas – Utah

The state of Utah's Department of Workforce Services (DWS) is a one-stop service shop. DWS administers many programs, which makes cost allocation quite a challenge. The largest portion of Utah's TANF program is cash assistance, Family Employment Program (FEP). This program has a 36-month time limit. Currently, have 6,000-7,000 families on cash assistance.

There is a good deal of community input into the services Utah provides:

- Governors' Commission on Marriage
- Technical Assistance for Navajo Nation TANF project
- Support funding for Families, Agencies, Communities Together (FACT)
- Choose to Work program

For further information see the website at:
www.dws.state.ut.us - Utah Department of Workforce Services web site.

K. Wrap-up Session

Larry Brendel thanked everyone for attending and extended the hope that this workshop answered many, if not most, of the participant questions. He thanked all of the presenters for their contributions to the workshop.

L. Workshop Evaluation

At the conclusion of the workshop, attendees were asked to complete an evaluation form to determine the effectiveness of this workshop. A summary of those evaluations, as prepared by the ACF Region VI, follows:

Workshop Evaluation

TANF Financial Management and Reporting Workshop
ACF West Central Hub - August 7 - 9, 2001

The following averages depict the level of satisfaction expressed by the workshop participants on each of the services provided. Each score was based on a 4-point scale with 1 being the lowest rating (poor) and 4 being the highest rating (excellent). We received 62 completed evaluation forms. However not all respondents answered every question. We omitted blank responses from the calculation of mean scores.

Evaluation Item	State - mean score (n=43)	Local /Other- mean score (n=2)	Federal - mean score (n=17)	Combined - mean score (n=62)

Logistics

Pre-conference information	3.51	3.50	3.69	3.56
On-site registration	3.63	3.50	4.00	3.73
Binders	3.81	3.50	4.00	3.85
Organization and Flow	3.51	3.00	3.94	3.62
Facility: Location	3.57	3.00	3.58	3.55
Facility: Meeting space	3.72	3.50	3.92	3.76
Facility: Sleeping Rooms	3.54	3.00	3.78	3.58
Facility: Room temperature	3.43	4.00	3.62	3.49
Facility: Overall	3.66	n/a	3.82	3.70
Food Service: Continental Breakfast	3.22	3.00	3.46	3.27
Food Service: Breaks	3.47	3.50	3.62	3.51
Conference: Overall	3.56	3.50	3.91	3.64

Expectations Met	3.69	3.50	3.92	3.74

Sessions

NCSL: Jack Tweedie	3.41	3.50	3.76	3.53
General Requirements - I	3.26	3.50	3.82	3.43
Use of Funds	3.37	3.50	3.82	3.50
General Requirements - II	3.15	3.50	3.76	3.34
ACF-196 Completion	2.90	3.00	3.47	3.07
CBPP: Lazere and Neuberger	3.29	3.50	3.82	3.45

Fiscal Policy Guidance	3.21	3.50	3.69	3.35
ACF-204 Completion	3.22	3.00	3.75	3.38
State Innovative Practices Panel	3.51	3.50	3.71	3.57

The following are excerpts from comments written on evaluation forms:

Pre-conference information/registration:

- AFYA was very responsive, I asked for a phone call to confirm my registration, and they called right away. (state)
- More advance notice. (state)
- E-mails and phone calls--very helpful to get me registered on short notice. (state)
- Well-organized effort, materials well prepared. Assistance from Ms. McClatchey was excellent (federal)

Participant packets/resource materials:

- Very helpful. Now I will have the financial info in one place. (state)
- A bit excessive, but ability to Fed Ex to office was brilliant. (state)
- Wow! Great resources all grouped together. (state)
- Thank you, thank you. (state)
- Excellent organization (federal)

Conference Organization/flow of workshops:

- The conference was very well organized, and everybody made us feel very welcome. (state)
- Well-paced. Cohesive. (state)
- Very good speakers--good breadth of expertise. (state)
- Worked hard to keep things on schedule, but ample time for questions. good balance. (state)
- Well organized. Hub did excellent job. (federal)

Facility:

- Nice facility. (state)
- If the next conference is in the summer, it would be much better if it was held in Denver or Helena. Much cooler!! (state)
- Numerous restaurants around hotel (state)

- Meeting room set-up was very good. Enjoyed the tiered seating as it allowed everyone to see the presenters. (state)
- Wonderful chairs. (state)
- The lecture hall set-up was excellent. Very conducive to listening and learning. (state)
- Could provide a better breakfast with eggs or protein. (state)

Sessions-General Comments:

- Marisu, Elaine, and Oscar are particularly good presenters. Content was appropriate in all sessions. Some speakers are better than others. (state)
- I have no complaints about presenters. They all did a very good job. (state)
- Filling out forms is just not my forte--ughhhh. Much more interested in where we are going. (state)
- Very good to hear federal perspective. (state)
- Well organized. Good presentations, well paced. Good balance between technical and substance. (federal)
- Again, the Dallas RO leads the way with an innovative approach to improving the financial management process. The contractor and the RO team did an excellent job. (federal)
- One of the better conferences I have attended. (federal)

Session on Trends in State TANF Policy (NCSL):

- Could give him [Jack Tweedie] more time. (state)
- Policy discussion by Tweedie was very insightful. (state)

Session on General Fiscal Requirements:

- Very technical and detailed. Some of the questions kind of got the discussion off-track. (state)
- (There was one negative comment about a presenter reading from her notes.)

Session on Completion of the ACF-196:

- For the ACF-196, instead of going over each item instruction, open floor for questions or examples of problems, etc. that people have encountered. (state)
- Would like to have more time to discuss the 196 form. (state)

- (There were a couple of negative comments about presenter reading his slides to the audience.)

Session on National Perspective on State TANF Spending (CBPP):

- (We received only one written comment from a state participant, and it was negative. The overall rating for this session was very positive--3.45.)

Session on Completion of the ACF-204:

- Would like to have had comments on ACF-204 by Ms. Richman in printed material. (state)

Session on Innovative Uses of State TANF Funds:

- Very informative on uses of TANF in other states in region. Good presentation and practical (state)
- Need more of this. Also from state-supervised, county administered. (state)

Overall Conference Comments:

- Please have another financial workshop after reauthorization. (state)
- Excellent (federal)
- Thank you for a very informative and helpful workshop. Texas is always so friendly! (state)
- We appreciate the conference. If budget precludes another, then charge more for registration. But do another one!!! (state)
- Very thorough conference. (state)
- Well organized, well thought-out. Information presented was relevant to work responsibilities. (federal)

What other topics would you like to see discussed in future workshops?

- Even though there was a lot of good information, there are a couple items, e.g., cost allocation and overpayments, that I would like to be covered in more depth.
- Performance Budgeting. Performance measures in contracting. (state)
- Would like to see this as an annual event, with more detail or a breakout session for information on completing the 196 and 204. (state)
- Follow-up: reg and law changes. (state)
- Annual workshops (state)

- Innovative programs, outcomes measures, one-stop consolidated service models. (state)
- Maybe coordinate break-out group to have further detailed discussion on specific topics. (state)
- Keep us up to date on Reauthorization issues. (state)
- Role of RO vs. role of CO in the FM process (federal)
- IDA process (federal)

Additional comments or suggestions regarding technical assistance provided by ACF:

- Our Region's ACF representatives are great.
- We get very good support from ACF, both from Hub and from those in Washington. (state)
- Send out questionnaires ahead of time to request hot topics within the region.