U.S. Department of Health and Human Services
ADMINISTRATION FOR CHILDREN & FAMILIES
Office of Family Assistance

Administration for Children and Families
Office of Family Assistance
Region VI

2012 TANF Fiscal Policies and Reporting Training

September 11-13, 2012
Dallas, Texas

Summary Report

ICF INTERNATIONAL

This technical assistance activity was funded by the
United States Department of Health and Human Services,
Administration for Children and Families,
Office of Family Assistance Region VI
and managed by ICF International

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Introduction

On September 11-13, 2012 the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Family Assistance (OFA) Region VI convened the *TANF Fiscal Policies and Reporting Training* in Dallas, Texas. The training was designed to bring together Temporary Assistance for Needy Families (TANF) program and fiscal staff from ACF and five States - Arkansas, Louisiana, New Mexico, Oklahoma, and Texas - to strategically engage with peers on improving fiscal management, leading to more efficient and effective services and better outcomes for TANF families. Speakers included Federal staff from ACF Central Office and OFA and Office of Grants Management (OGM) Region VI, as well as national TANF experts. Training attendees were provided with opportunities to strategically engage with their peers in order to share innovative practices and to plan ways to improve TANF programming for low-income families. Over the course of the two and a half day training, a number of specific topics were covered including:

- TANF Program and Maintenance of Effort;
- Status of State TANF Spending and Optimizing Available TANF Dollars and Safety-Net Partners;
- Financial Reporting;
- Administrative Costs/Cost Allocation Issues; and
- Single State Audits, Penalties, and Corrective Compliance.

In addition, State representatives took part in a discussion with ACF Central Office officials on TANF policy and priorities.

This report summarizes key highlights from the *2012 Region VI TANF Fiscal Policies and Reporting Training.*

<u>Day One - Tuesday, September 11, 2012</u>

To kick off the *2012 Region VI Fiscal Policies and Reporting Training*, Mr. Leon R. McCowan, Regional Administrator from ACF Region VI, Mr. Ray Bishop, Grants Officer from the Region VI Grants Management Unit, and Mr. Larry Brendel, TANF Program Manager for OFA Region VI provided opening remarks. Mr. Brendel gave an overview of the training agenda and introduced the first session.

States Roundtable - Updates and Sharing

During this rapid round-robin session, attendees were provided with the opportunity to share program, policy, and practice updates relating to the local implementation of the TANF program. Each State team highlighted specific challenges relating to program implementation and engaged with other States on strategies for strengthening program performance and improving participant outcomes. Updates from each State are reflected in **Figure 1**.

Figure 1: State Updates and Sharing

Arkansas

- The Arkansas Department of Workforce Services (DWS) lost its Supplemental Grant funds, which expired in July 2011, as well as the TANF Emergency Contingency Fund, which expired in 2010.
- Due to funding loses, certain TANF-funded initiatives need to be placed on hiatus.
- Prior-year funds of about $40 million will be exhausted in the next year and a half.
- Arkansas plans to modify its TANF sanction policy to establish a six-month timeline. The current sanction timeline is nine months.
- In August, DWS held its second annual statewide TANF training conference.
- DWS has begun ranking local offices in terms of their performance and recognizing top performers. This has fostered competition among offices to improve performance.
- DWS is operating a job search training pilot in Pulaski County. Students are finding jobs quickly, so the agency plans to implement the training statewide.

New Mexico

- The loss of Supplemental Grant funding hit the support services hard in New Mexico.
- The New Mexico Human Services Department (HSD) has some wage subsidy programs – 74 slots statewide in 54 fields.
- New Mexico is adopting universal engagement, which got off the ground as a result of a new contractor that provided a comprehensive assessment. It is reported as an activity to help clients overcome additional barriers.
- The New Mexico HSD would like to have General Educational Development (GED) test preparation become a core activity.
- TANF program works with the University of New Mexico. When a client comes in for an assessment, they meet with a GED officer.

Oklahoma

- Oklahoma is working to implement mandatory illegal drug testing (House Bill 2388).
  - Clients are told about the testing when they apply.
  - If the test comes back positive, the participant is not eligible for TANF funds for one year. This can be shortened to six months if the participant agrees to go to treatment.
  - Children of the participants are still eligible for funds.
  - Children of those who have self-declared or tested positive are referred for Child Welfare services.
- Oklahoma is beginning the training of case managers on drug testing policies and practices.

Texas

- Dr. Kyle Janek is the new Health and Human Services Executive Commissioner.
- The major focus at the Texas Health and Human Services Commission (HHSC) is on modernizing and improving systems of eligibility integration.
- The State is enhancing self-service capabilities. For example, individuals will be allowed to apply and to update their information online.
- The biennial legislative session will begin in January 2013.
- Texas's State Family Assistance Grant (SFAG) is approximately $486 million. Texas no longer receives the supplemental grant of $52.7 million, and prior-year funds are dwindling.
- Texas's basic TANF caseload is approximately 40,000. Child-only cases represent 65 percent of that number.
- Texas has a new Electronic Benefit Transfer (EBT) contract. TANF clients do not have ATM access, but they can get cash from retailers.

Fiscal Forum #1 - TANF Program, Funding, and Maintenance-of-Effort[1]

During this session presented by Ms. Anjal Coleman, Financial Operations Specialist from the Region VI Grants Management Unit, attendees received basic information on the TANF Program, assistance and non-assistance, and Maintenance-of-Effort.

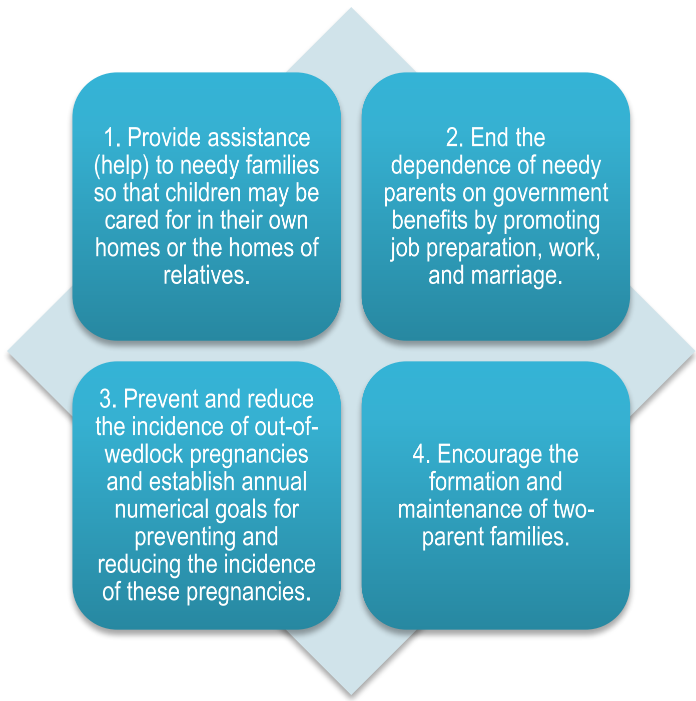
[1] The PowerPoint curriculum from all Fiscal Forum sessions is available on the Welfare Peer TA Network Web site at: https://peerta.acf.hhs.gov/

TANF Program

The TANF program was enacted on August 22, 1996 through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and was reauthorized in 2005. TANF replaced the Aid to Families with Dependent Children (AFDC) *entitlement* program. TANF is a block grant with a funding limit.

The original purpose of the TANF program is to provide *temporary* assistance while moving recipients into work and self-sufficiency. States must help recipients find work and meet work participation rate (WPR) and other critical program requirements to avoid financial penalties. The original concept of TANF was to allow States to make decisions on how to use funding. States have broad flexibility to design and operate their TANF program and to determine eligibility criteria and the benefits and services that families receive to achieve the four program purposes (see **Figure 2**).

Figure 2: The Four Purposes of TANF



In terms of the rules and restrictions of the TANF program funds, the term "grandfathering authority," or previously authorized activities, refers to activities previously authorized and allowable under States' formerly approved AFDC, Emergency Assistance (EA), or Job Opportunities and Basic Skills Training (JOBS) programs as of September 30, 1995 or August 21, 1996. For these activities, States must retain eligibility criteria and duration of services, as well as use Federal funds only. Previously authorized activities are reported on either line 5.D. or 6.L. of the ACF-196 and States are required to provide information on the nature of the benefits and reference the State plan provision under which the expenditures were authorized.[2]

TANF Funding

There are four main TANF funding options: Commingled Federal and State funds, Segregated State funds, Separate State Program funds, and Solely State Program funds, which are defined and explained in **Figures 3 and 4**.

[2] Detailed TANF program regulations can be found in the following documentation: 45 Code of Federal Regulations Parts 260-265; Public Law 104-193 (PRWORA); and Public Law 109-171 (Deficit Reduction Act).

Figure 3: TANF Funding Options

Commingled Federal and State Funds

- States commingle their Maintenance-of-Effort (MOE) funds with Federal grant funds expended in the TANF program operated by the State.
- All expenditures are subject to both Federal TANF and MOE requirements.
- The least flexible type of funds.

Segregated State Funds

- MOE funds are segregated from the Federal grant funds and expended in the TANF program operated by the State.

Seperate State Program Funds

- States spend their MOE funds in separate State programs, operated outside of the States' TANF program.
- Subject to many TANF requirements (including work participation, child support assignment, and reporting).
- The Income Eligibility and Verification System (IEVS) does not apply.

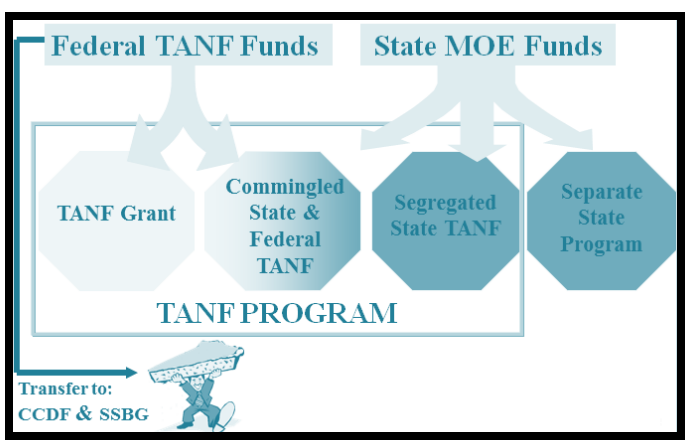
Solely State Program Funds

- A program using state funds to provide non-TANF assistance that is not reported as MOE.
- States began implementing Solely State Funded (SSF) programs after changes were made to the TANF program in the Deficit Reduction Act (DRA) of 2005 that effectively increased the work participation rate that states were required to meet and began counting families receiving assistance through an separate State program in the work participation calculation.

ACF awards State Family Assistance Grants (SFAG) to States using funding levels under the superseded AFDC program. The SFAG is fixed and is subject to the following reductions: imposed penalties; separate funding to Indian Tribal programs; and additional funding through Supplemental Funds and Contingency Funds. States receive quarterly grant awards based on their quarterly estimates.

In addition to the four main types of TANF funds described in **Figure 3**, there are alternative funding sources that have been made available to State programs. For example, TANF Supplemental Funds were established to address the disparities in TANF funding among States. An annual 2.5 percent increase to block grants was authorized for States with high population growth and low benefit levels. These funds are available to States until they are expended. Supplemental grants ended in

Figure 4: TANF Funding Process



Federal Fiscal Year 2011.

In 1996, PRWORA also created a $2 billion Contingency Fund to assist States in meeting the need for welfare assistance during periods of economic downturn. Only "needy" states among the 50 States and the District of Columbia are eligible to apply; Territories and Tribal grantees are not eligible.[3] The definition of "needy" is based on the State's unemployment rates or increases in Supplemental Nutrition Assistance Program (SNAP) caseload.[4] The Contingency Fund is based on several requirements:

- Funds must be expended in the year in which awarded;
- Funds may not be transferred to the State's Child Care and Development Fund (CCDF) or Social Services Block Grant (SSBG);
- The State must meet 100 percent of the Maintenance-of-Effort (MOE) level; and
- Annual reconciliation must be completed in accordance with Section 264.73 to determine how much Contingency Funds may be retained.

Ms. Coleman provided information on transferring TANF dollars for other purposes. States may transfer up to 30 percent of their current year grant funds to their CCDF and the Title XX SSBG program, and no more than 10 percent of TANF dollars may be transferred to Title XX SSBG. Transfers must occur by the end of the Federal Fiscal Year in which the funds were awarded, with no exceptions. For example, Federal Fiscal Year 2013 transfers must occur by September 30, 2013. The transferred funds take on the identity of and follow the rules and regulations of the program to which they are being transferred. TANF funds that are transferred can be returned to the TANF program after the end of the Federal Fiscal Year. No authority exists for the transfer of Contingency Funds.

The last type of TANF funding is reserve, or carry-over funds. On February 17, 2009, the American Reinvestment and Recovery Act (ARRA) changed the requirements for reserve funds.[5] Prior to ARRA, reserve funds were only for assistance and the associated administrative costs. Reserve funds may now be used for any allowable TANF benefit, service, or activity – not just assistance.

Maintenance-of-Effort

Ms. Coleman's presentation on TANF Maintenance-of-Effort (MOE) highlighted the basic information associated with the term. Every fiscal year, each State must spend a fixed amount of its own, non-Federal dollars to provide benefits and services to eligible families; this is referred to as Maintenance-of-Effort, or MOE. The MOE amount equals 80 percent of the amount spent during the Federal Fiscal Year 1994 or 75 percent of that amount if the State meets its WPR, and 100 percent if the State received Contingency Funds. If a Tribe, or consortium, is awarded a Tribal Family Assistance Grant (TFAG), the fixed MOE amount is reduced by the same percentage as the reduction in the State's SFAG.

[3] See Section 403(b)(7) of PRWORA and 45 CFR 264.70(c) for more information on the Contingency Fund.
[4] For more information on the Contingency Fund qualifications, please visit: http://www.acf.hhs.gov/programs/ofa/policy/pi-ofa/12weekqualifier.htm
[5] See TANF-ACF-PI-2010-04 for more information on TANF reserve funds: http://www.acf.hhs.gov/programs/ofa/resource/policy/pi-ofa/2010/pi201004/pi201004

MOE expenditures must occur within the current Federal Fiscal Year, and those made outside the Fiscal Year do not count toward the State's MOE requirement. The MOE amount remains constant, unless Tribal TANF awards change. When Tribal TANF awards change, the State SFAG and MOE are also affected. If a State fails its MOE requirement, the penalty is a dollar-for-dollar reduction in the SFAG for the Fiscal Year following the final decision to take the penalty.

Families eligible for MOE funds must include at least one child living with a parent or caretaker relative, or a pregnant woman and they must meet State income and resource criteria. MOE may be used for families that are ineligible for Federal assistance due to time limits or restrictions on benefits to immigrants in Title IV of Public Law 104-193 (PRWORA).

Figure 5

MOE - Qualified Expenditures

- Cash assistance.
- Child Care.
- Educational activities to increase self sufficiency, job training, and work – excluding public education (TANF-ACF-PI-2005-01).
- Any other benefits that accomplish a TANF purpose.
- Administrative cost in connection with a countable MOE activity (15 percent limit).

Figure 6: MOE - What Does Not Count?

- Expenditures that originated with the Federal government.
- State expenditures under the Medicaid program (Title XIX of PRWORA).
- Expenditures that a State makes as a condition of receiving Federal funds under another program that is not in part IV-A of PRWORA. Exceptions are listed below:
  - State funds expended to meet matching requirements of other Federal programs do not normally count as MOE, but State funds expended to meet the "Healthy Marriage Promotion" and "Responsible Fatherhood" grant match requirements may count, if all other MOE requirements are met [45 CFR 263.2(g)].
  - State funds expended to meet matching requirements of the CCDF Matching Fund may also count as basic TANF MOE expenditures (not for Contingency Fund MOE) up to the amount that must be expended to qualify for matching funds [45 CFR 263.3 (a) and Final Rule, 17832-17834].*
  - State Child Care expenditures that have not been used to meet the CCDF Matching Fund requirements (as match or MOE amounts) or any other Federal Child Care program – may also count as basic MOE expenditures – no limit exists for these expenditures [45 CFR 263.3(b)].*
- Expenditures that a State made in a prior Fiscal Year.
- Expenditures that a State makes to replace the reduction in the SFAG as a result of penalties.

**These expenditures must be made to, or on behalf of, eligible families.*

One aspect of MOE is the Pro-Family Spending provision, which was created as a result of the Deficit Reduction Act (DRA) of 2005. The DRA changed MOE rules by making pro-family activities exempt from the eligible families requirement; prior to the DRA, all MOE expenditures had to be for eligible families. The TANF regulation at 45 CFR 263.2(a)(4)(ii) defines pro-family activities as those in the healthy marriage promotion and responsible fatherhood sections of the DRA. If one of the enumerated activities also constitutes "assistance," there is no exemption, and those expenditures must be for eligible families.

Qualified MOE expenditures are listed in **Figure 5**. In regards to new spending, there is no limit on counting current expenditures, if those expenditures would have been allowable under the former AFDC and related programs, including: JOBS, Emergency Assistance, Child Care for AFDC recipients, At-Risk Child Care and Transitional Child Care programs. MOE is limited to the amount in excess of total Fiscal

Year 1995 expenditures, if they would not have been allowable under the former AFDC and related programs.[6]

Ms. Coleman explained the concept of donations, which may be used to provide benefits or services. Expenditures for benefits or services may include allowable costs borne by others in the State, including cash donations from non-Federal third-parties such as non-profit organizations, and the value of third-party in-kind contributions if the following is met:

- There is an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement;
- The State counts a cash donation only when it is actually spent; and
- The expenditure is verifiable and meets all applicable requirements outlined in 45 CFR 92.3 (Definitions) and 92.24 (Matching and Cost Sharing).

MOE expenditures do not include avoided cost or foregone revenue, such as a non-refundable tax credit; rainy day funds; or encumbrances or obligations. It is also important to understand what does not count toward MOE (see **Figure 6**).

Assistance and Non-Assistance

TANF benefits are classified as either "assistance" or "non-assistance."[7] Based upon 45 CFR 260.31(a), the term "assistance" refers to: the ongoing basic needs payment (i.e., food, clothing, shelter, utilities, household goods, personal care items, and general incidentals); supportive services such as child care and transportation for families who are not employed; and benefits provided under prior law that meet the definition of assistance, such as Foster Care and other similar services. States may only provide assistance to financially needy families consisting of, at a minimum, a child living with a parent or caretaker relative, or a pregnant individual.

Program requirements, limitations, and prohibitions apply to "assistance." These can include: quarterly data reports, work requirements, the Federal five-year time limit, and the assignment of rights to Child Support and cooperation. Assistance is denied for families without a minor child or pregnant individual, fugitive felons, fraud cases, and minor children absent from home for significant periods of time.

The term "non-assistance" refers to supportive services, such as child care or transportation provided to families who are employed. Non-assistance also includes non-recurrent, short-term benefits, which are designed to deal with a specific crisis situation or episode of need, and are not intended to meet recurrent or ongoing needs; these services are limited to a four-month period. Non-assistance can also include work subsidies for subsidized employment programs; various services that do not provide basic income support, such as counseling, case management, and employment assistance; contributions to and distributions from

[6] See 45 CFR 263.5(a) and (b) for more information on MOE new spending.
[7] For full definitions of assistance and non-assistance, see 45 CFR 260.31.

Individual Development Accounts (IDAs); transportation benefits provided under a Job Access or Reverse Commute project; and refundable Earned Income Tax Credits (EITC).[8]

Day Two - Wednesday, September 12, 2012

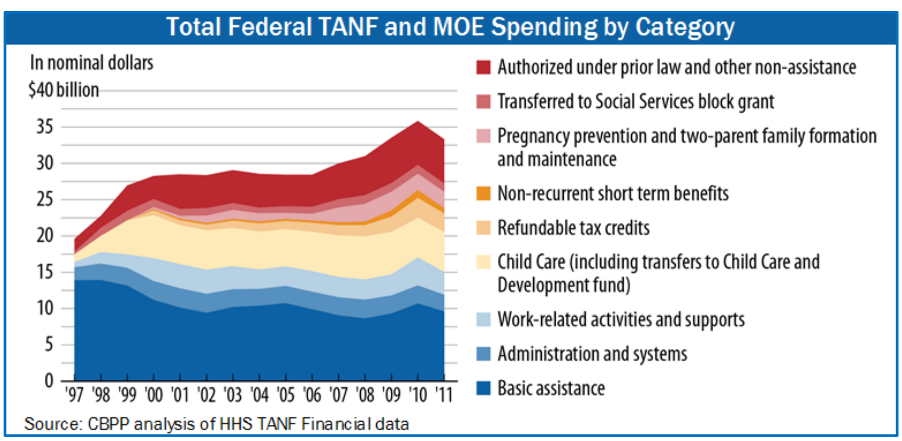
The Status of State TANF Spending and Optimizing Available TANF Dollars and Safety-Net Partners

Even though States continue to struggle under the weight of the most recent recession and many TANF programs remain cash-strapped, there is a broad array of areas on which available TANF dollars can be utilized to assist low-income families on the pathway to economic self-sufficiency. During this two-part presentation, attendees received information from two national experts on the current status of TANF spending and on opportunities for optimizing available dollars and strengthening partnerships with other safety-net programs during challenging economic times. The national experts, Ms. Liz Schott from the Center on Budget and Policy Priorities (CBPP) and Mr. William Brumfield from ICF International (ICF), shared information on State spending trends, practical strategies, and real-world recommendations that have been employed to improve program effectiveness.

Liz Schott, Center on Budget and Policy Priorities[9]

Ms. Schott began by providing an overview of State TANF spending trends between 1997 and 2011. A recent report from CBPP entitled *How States Have Spent Federal and State Funds under the TANF Block Grant*[10] is based on State-reported data made public by HHS and includes data and trends from all Federal TANF funds (with the exception of Tribal TANF funds) and all State funds that are counted toward the MOE requirement. The report also includes State by State fact sheets, an Excel spreadsheet of data, and allows readers to see trends over time and make comparisons across States.[11]

Figure 7: Inflation-adjusted TANF and MOE Spending by All States by Category



The data shows that generally, shifts in State TANF spending are not redirected to help support work. Spending on basic assistance accounts for a relatively small share of TANF and MOE expenditures and there has been a shift of funding from basic assistance as caseloads have

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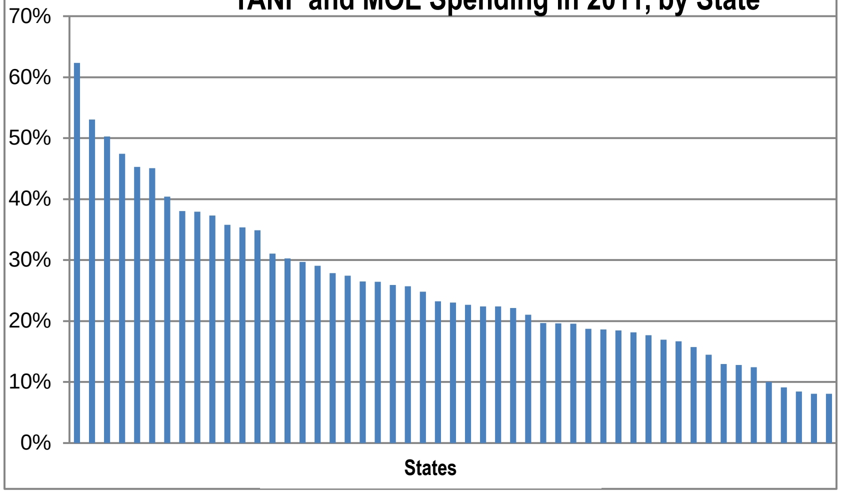
[8] For more details on non-assistance, see 45 CFR 260.31(b).
[9] The PowerPoint from this session is available on the Welfare Peer TA Network Web site at: https://peerta.acf.hhs.gov/
[10] For the full report from the Center on Budget and Policy Priorities, see: http://www.cbpp.org/cms/index.cfm?fa=view&id=3808
[11] For the State Fact Sheets, see: http://www.cbpp.org/cms/index.cfm?fa=view&id=3809, and for the Excel data on spending trends, see: http://www.cbpp.org/files/8-7-12tanf-data.xls

declined (see **Figure 7**). States initially shifted some resources from cash assistance to work activities and Child Care, but that leveled off nearly a decade ago. More recently, States have been using a significant and growing share of TANF and MOE funds to support *other* state services, such as Child Welfare.

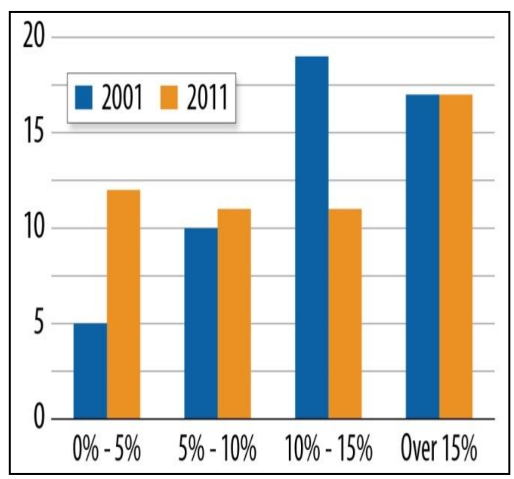
Ms. Schott explained that over one-third of TANF and MOE dollars are spent outside of basic assistance, Child Care, work activities, and administration and systems. This spending includes: refundable tax credits, non-recurrent short-term benefits, pregnancy prevention and two-parent family formation, or may be transferred to the Social Services Block Grant, or reported as "Authorized Under Prior Law" (AUPL) and other non-assistance.

Figure 8: Basic Assistance as a share of total TANF and MOE Spending in 2011, by State



The share of TANF and MOE funds used for basic assistance varies widely by State. For example, one State uses over 60 percent of TANF and MOE funds for basic assistance, while others use less than 10 percent (see **Figure 8**). Compared to Federal Fiscal Year 2001, the share of TANF and MOE funds that are spent on basic assistance has changed considerably. For example, since 2001 there has been a significant drop in the number of States using 25 percent or more of total funds on basic assistance, and a significant increase in the number of States using less than 25 percent. There has also been a very large increase in the number of States using less than 15 percent of funds on basic assistance.

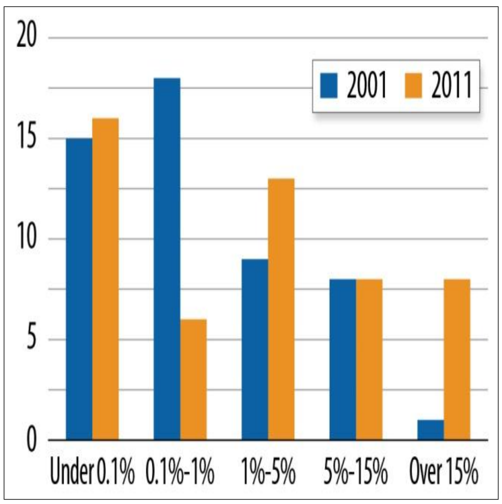
Figure 9: Number of States by Share of TANF/MOE Funds for Work Activities: 2001 vs. 2011



Ms. Schott also shared information on the share of TANF and MOE funds that States spend on work activities. Since 2001, some States have pulled back the share of funds that they spend on work activities (see **Figure 9**). In fact, most of the increase in work activity funding occurred prior to 2001 and has been stable or declined since that time. Similarly, the share of funds that States spend on Child Care has declined since 2001, reflected by the increase in the number of States that are spending less than 10 percent of funds in this category.

In regards to funds used for activities "Authorized Under Prior Law" or spent on other non-assistance, there has been a large jump in the number of States spending more than 35 percent of funds, and a drop in the number of States spending less than five percent. Some of these changes took place after the DRA, but much of the growth occurred earlier. Finally, when looking at the share of TANF and MOE funds spent on pregnancy prevention and two-parent family formation activities, there continues to be a significant share of States that spend little to none in this category. However, the number of States spending a larger share on these activities than they did in 2001 has increased. For example, the number of States spending more than 15 percent in this area has soared (see **Figure 10**); most of this growth took place post-DRA.

Figure 10: Number of States by Share of TANF/MOE Funds Used for Pregnancy Prevention and Two-Parent Family Formation: 2001 vs. 2011



After reviewing this data, Ms. Schott provided recommendations for changes in laws or rules on TANF and MOE spending. Ms. Schott noted that, first, the government should narrow the permissible uses of TANF or MOE funds. Narrowing the permissble uses of TANF and MOE funds could be accomplished by mandating that a minimum share of funding be used for specified activities, such as work activities for TANF cash recipients; prohibitting spending that does not further one of the four purposes of TANF, such as eliminating AUPL; and defining permissible expenditures more narrowly. Ms. Schott also suggested eliminating third-party MOE; defining "needy" as either 200 or 250 percent of the Federal Poverty Level (FPL); identifying third party MOE if it continues; and obtaining more detail on State spending – by requiring the same detailed reports on TANF spending as are now required for MOE spending, and requesting more details on spending for non-assistance and AUPL activities.

These recommendations are the result of CBPP's studies of States' experience with the TANF program over the past 16 years. They are based on the view that TANF functions are both safety-net and work related. Ms. Schott also asked the training attendees to think about the impact of these recommendations on their States, the implementation issues that may arise, and the changes to spending rules that would be useful.

William Brumfield, ICF International

Following Ms. Schott's presentation, Mr. William Brumfield from ICF shared practical strategies and recommendations for State TANF directors and staff based on his experience working for a large TANF program. Prior to joining ICF, Mr. Brumfield worked as the Director of Hennepin County, Minnesota's Human Services and Public Health Department, where he oversaw the Eligibility, Child Support, and Work Support Divisions. In this position, Mr. Brumfield managed a combined budget of $190 million and supervised over 1,000 employees managing 157,000 cases. In overseeing the Hennepin County TANF population, 25 percent of cases involved immigrants and refugees – mainly from the Horn of Africa region –

which is made up of Eritrea, Djibouti, Ethiopia, and Somalia. There are about 100,000 Somalian immigrants living in the Minneapolis area. This unique population provided a learning experience for TANF program leaders.

In regards to optimizing funds, Mr. Brumfield indicated that most programs are reporting a shortage of TANF funds for work-related activities and supports. He also commented on the graphs that Ms. Schott provided, which show the shift of TANF funds to activities other than work preparation and subsidized jobs. Budgeting is often difficult for social service programs, particularly because budget projections are routinely made eight to 12 months before the start of the Federal Fiscal Year. Rapid increases of enrollment in TANF and SNAP over the last few years have created budget difficulties in staff and employment categories. It is critical to have budget flexibility or reserves to address unanticipated financial issues during the year. Regarding Child Care, Mr. Brumfield explained the difficulties of budgeting and projecting expenditures with so many variables that cannot be controlled. Previous year expenditures are excellent guides to project future budgets.

Training attendees asked Mr. Brumfield to weigh in on strategies for spending 100 percent of their funding each year. He suggested forming close relationships between program leaders and financial team members. Program leadership must know at all times where the department is in regards to its spending; there is often the tendency to under-budget for fear of overspending. Mr. Brumfield recommends budgeting at 95 to 99 percent to maximize dollars available for client services. If States allow for carry-over from one Federal Fiscal Year to the next, then the risk of budget shortfall is negligible. States that allow budget reserves will have the most flexibility to direct funds to the highest priority.

As operators, TANF directors and other leaders need to be sure about their costs. Audits are necessary and it is important to educate and train auditors on the TANF program so that they better understand the spending. When tracking costs, leadership needs to be sure certain spending is allowable. It is a good idea to work closely with the Regional offices to determine allowable costs, and to keep documentation so that others are aware of allowable and unallowable costs for audit purposes.

To maximize funds and serve participants in the best way possible, Mr. Brumfield suggested thinking about new innovative activities, such as holding job fairs, which can be paid for through employer fees rather than through TANF funds. He indicated that community partnerships offer many opportunities to provide TANF services at lower costs. Mr. Brumfield concluded his presentation by emphasizing the importance of "re-engineering" TANF programs; stating the need to constantly innovate and re-engineer programs and spending in order to most efficiently and effectively serve participants in need.

States Team Time

Immediately following these presentations, State representatives were provided the opportunity to work together and engage with Ms. Schott and Mr. Brumfield on the topic of State spending. During this rapid round-robin, attendees worked one-on-one with both national experts, other State representatives, and among their own State teams on strategies that could be employed to improve the array of services available to families, particularly with respect to helping parents successfully prepare for, find, and retain employment.

Fiscal Forum #2 - Financial Reporting

Following the Team Time session, Ms. Anjal Coleman led Fiscal Form #2, which provided attendees with information on the grant award process, terms and conditions of grants, and the financial data reporting forms States are required to use, which include the following:

- ACF-196 *Financial Reporting Form for TANF;*
- ACF-196 TR *Financial Reporting Form for Territories;*
- ACF-196 SUP *TANF Detailed Expenditure Form;*
- ACF-202 (CRC) *TANF Caseload Reduction Credit Report;*
- ACF-204 (Annual Report) *Annual Report on State Maintenance-of-Effort Programs; and*
- ACF-696 (CCDF) *Financial Reporting Form for the Child Care and Development Fund.*

The majority of the presentation was spent on the ACF-196 State TANF Financial Report form, which is used to report TANF and TANF Emergency Fund expenditures.[12] The ACF-196 form includes ARRA funds and supplemental awards and is submitted electronically through the On-Line Data Collection (OLDC) system with reports due 45 days after the end of each quarter. Final reports should be submitted when a TANF award is completely expended. A revised report must be submitted prior to the end of the quarter following the revised quarter; otherwise the revised data should be included in the next quarterly report.

Following this overview, Ms. Coleman showed screen shots of the ACF-196 form and explained how it should be completed.[13] The State name, year, and quarter are placed at the top of the form. The form is organized by expenditure categories – which include State Family Assistance (Federal TANF Expenditures, State MOE Expenditures in TANF, and Separate State Programs), Contingency Funds, ARRA Funds, and ARRA Supplemental Funds.

On the ACF-196 form, States should indicate the total amount of Federal funds they were awarded as well as the amount transferred to CCDF and SSBG. When transferring funds to the CCDF, there is a transfer limit that is equal to 30 percent of SFAG and the supplemental awarded amount. The transfer must occur by the end of the current Federal Fiscal Year, and the transfer amount should also be reported on the ACF-696 form for the CCDF and the SSBG Post-Expenditure Report. When transferring funds to SSBG, there is a limit equal to 10 percent of SFAG and the supplemental awarded amount. Ms. Coleman explained that "Job Access," on line 6C1, counts as part of SSBG transfers.

On line 9A of the ACF-196 form, States must indicate the amount of un-liquidated obligations, or obligations that are unspent, and on line 10A, States should enter the un-obligated balance of funds, which is not encumbered. Lastly, States must use line 12A to indicate their funding estimate for the next quarter.

[12] See TANF-ACF-PI2009-10 for more information on the ACF-196 form, at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-acf-pi-2009-10

[13] For detailed instructions on completing the ACF-196 form, see: http://www.acf.hhs.gov/node/5134

In terms of reporting AFDC overpayments, according to TANF-ACF-PI-2006-03, States must repay the Federal share of former AFDC program overpayments made before October 1, 1996. The overpayments for checks must be submitted no less than quarterly and made payable to HHS.

Information on reporting under the Contingency Fund can be found in the following Program Instructions and other resources:

- TANF-ACF-PI-97-8
- TANF Final Rule - 45 CFR 264, Subpart B
- TANF-ACF-PI-2008-04
- TANF-ACF-PI-2009-06
- TANF-ACF-PI-2010-09

Lastly, information on reporting on the ARRA funds is available in the following Program Instruction documents:

- TANF-ACF-PI-2011-05
- TANF-ACF-PI-2010-06

Fiscal Forum #3 - State Maintenance-of-Effort (MOE) (Form ACF-204 - Annual Fiscal Report)

During this session, Ms. Charlotte Bristow, a State Program Specialist from the OFA Region VI office, provided State attendees with information on completing the form ACF-204 (State Maintenance-of-Effort) Annual Report, which collects program and fiscal information as required by 45 CFR 265.9. The report is due at the same time as the fourth quarter report per 45 CFR 265.10. Instructions for completing the report are available in TANF-ACF-PI-2008-06 dated July 14, 2008, which includes guidance on OLDC access.[14] Ms. Bristow walked the training attendees through PI-2008-06 Attachments A and B. Attachment A provides information on nine program activities, and Attachment B provides information on MOE program expenditures.

Attachment A, the Annual Report on TANF Programs, states that each State must provide specific information on its TANF program regardless of the funding source. The required items include:

1) The State's definition of each work activity;
2) A description of the transitional services provided to families no longer receiving assistance due to employment;
3) A description of how a State will reduce the amount of assistance payable to a family when an individual refuses to engage in work without good cause;
4) The average monthly number of payments for Child Care services made by the State through the use of disregards;

[14] For more information on the Form ACF-204 see TANF-ACF-PI-2008-06: http://www.acf.hhs.gov/programs/ofa/resource/policy/pi-ofa/2008/200806/pi200806

5) If the State has adopted the Family Violence Option and wants Federal recognition of its good cause domestic violence waivers, then provide (a) a description of the strategies and procedures in place to ensure that victims of domestic violence receive appropriate alternative services, and (b) an aggregate figure for the total number of good cause domestic waivers granted;
6) A description of any non-recurrent, short-term benefits provided;
7) A description of the grievance procedures the State has established and is maintaining to resolve displacement complaints, pursuant to section 407(f)(3) of the Social Security Act;
8) A summary of State programs and activities directed at the third and fourth statutory purposes of TANF; and
9) An estimate of the total number of individuals who have participated in subsidized employment.

ACF-204 Attachment B is the Annual Report on State Maintenance-of-Effort Programs. States must submit a separate ACF-204 form for each type of MOE expenditure, or combine multiple benefits or services on one form. The forms should describe the major program benefits, services, and activities, as well as the purpose of the benefit or service program. The form should indicate if the program is a TANF program or a Separate State Program (SSP). If it is an SSP, the State must also use the form to describe the work activities.

Attachment B is also used to report basic information including:

- Total State expenditures for the program in the Fiscal Year;
- Total State MOE expenditures for the program in the Fiscal Year;
- Total number of families served under program with MOE funds; and
- Financial eligibility criteria for MOE-funded program, with the exception of pro-family non-assistance activities.

States should include information on whether or not the program was authorized and allowable under prior law, including Title IV-AFDC, Emergency Assistance, JOBS, or JOBS Child Care, Transitional Child Care, or At-Risk Child Care. If the program was not authorized and allowable under prior law, the State must use Attachment B to provide the total program expenditures in Federal Fiscal Year 1995. If the Federal Fiscal Year 1995 expenditure was zero dollars ($0.00), the State must explain why on the form.

The total MOE expenditures included on Attachment B should agree with the total MOE expenditures as reported on the ACF-196 or the ACF-196TR for the same year. Administrative and systems expenditures counted as MOE should be reported on a separate ACF-204 Attachment B form or be included with a related program.[15]

Innovations in Action

Following Fiscal Forum #3, States took part in an interactive *Innovations in Action* session. States represent the incubators for promising strategies for improving program performance and outcomes. From

[15] For more information on ACF-204 Annual Fiscal Report Attachment B, see TANF-ACF-PI-2008-06: http://www.acf.hhs.gov/programs/ofa/resource/policy/pi-ofa/2008/200806/pi200806

engaging vulnerable populations to streamlining program practices, many States have devised a set of effective components that have been implemented to strengthen program success. During this rapid peer round-robin session, State teams presented on innovative local practices developed to improve program performance and client outcomes. State presenters discussed practical strategies for integrating promising strategies into TANF programming and outlined key lessons learned, challenges, and solutions.

Arkansas Team

Career Pathways Initiative – The Arkansas Career Pathways Initiative is a comprehensive project to improve the earnings and postsecondary education attainment of low-income TANF-eligible adults. The initiative provides for two-year colleges to develop career pathways programs that assist TANF-eligible adults to earn a marketable educational credential for immediate entry into a high demand occupation. It is a collaborative partnership between the Arkansas Department of Workforce Services (TANF program) and the Arkansas Department of Higher Education, which includes 25 community colleges and three technical colleges.

New Mexico Team

Subsidized Employment / SL Start – The New Mexico Works program provides TANF adults with the services and supports needed to get a job, develop a career, and become self-sufficient. Since 2011, the New Mexico Human Services Department has contracted with SL Start, a human service agency that helps create and deliver employment programs for individuals facing barriers to employment. New Mexico Works' services include subsidized employment, work experience, and community service components. The Transitional Jobs program enrolls participants into six-month subsidized jobs for 40 hours per week. The program involves intensive job readiness and case management components.

Oklahoma Team

Special Projects Initiative – The Oklahoma Special Projects Initiative is a TANF-funded education and training program that provides a comprehensive range of services to help TANF participants successfully pursue postsecondary degrees and credentials at Oklahoma's community colleges and technology center campuses. The initiative involves a contracted assessment component that includes a vision screening (eye glasses are provided if necessary), learning disabilities screening, and interests and skills identification assessment. When the results are returned, the participant and TANF staff will discuss the report and make decisions for next steps and a plan. The program is open entry and is available at 20 community college and technology center campuses across the State.

Texas Team

NCP Choices – Initiated in August 2005, NCP Choices is a collaboration between the Office of the Attorney General, the Texas Workforce Commission, and family court judges. The program targets low-income unemployed or underemployed noncustodial parents who are behind on their Child Support payments and whose children are current or former recipients of public assistance. The goal of the program is to help NCPs overcome substantial barriers to employment and career advancement while becoming economically self-sufficient and making consistent Child Support payments. So far, 13,600 parents have been enrolled in the program. Total Child Support collections through August 2012 are $68.5 million, compared with $18 million spent on the program. Seventy percent of participants obtain employment within nine weeks. Texas Workforce Commission tracks job retention for six months. The Ray Marshall Center at the University of Texas - Austin is conducting an evaluation.

TANF Policy and Priorities

Day Two's closing session provided an opportunity for State TANF Program and Fiscal teams to meet in a session with ACF/OFA leadership. Mr. Mark Greenberg, Deputy Assistant Secretary for Policy at ACF, Dr. Earl S. Johnson, Director of OFA, and Mr. Larry Brendel, TANF Program Manager for OFA Region VI engaged in a constructive dialogue with session attendees on a wide range of issues, relating to the Claims Resolution Act, the Middle Class Tax Relief and Job Creation Act (MCTRJC), and other national and State-level policy developments.

Day Three - Thursday, September 13, 2012

Fiscal Forum #4 - Administrative Costs and Cost Allocation Issues

To kick off Day Three of the training, Ms. Joanie Hart, a Financial Operations Specialist with the Region VI Grants Management Unit, provided attendees with basic information on cost allocation methodologies and administrative cost issues.

Administrative Costs

Ms. Hart began the session with an overview and definition of Administrative Costs – the costs necessary for the proper administration of the TANF program or Separate State Programs. She explained what types of activities are included and excluded from this definition, shown in **Figure 11**.[16]

Figure 11: Administrative Costs

Include:	Exclude:
• General program administration and coordination (including contracting and indirect or overhead costs); • Salaries and benefits of staff performing administration and coordination; • Activities related to eligibility determinations; • Preparation of program plans, budgets, and schedules; • Monitoring of programs and projects; • Fraud and abuse units; • Procurement activities; • Public relations activities; • Services relating to accounting, litigation, audits, property management, payroll, and personnel; • Costs for the goods and services required for administration of the program (for example, supplies, equipment, travel, postage, office space rental, and maintenance) unless they are direct program costs; • Management information systems not related to TANF tracking and monitoring (for example, personnel and payroll); and • Preparing reports and other documents.	• Direct costs of providing program services, including: providing diversion benefits and program information to clients, screening and assessment, developing employability plans, work activities and post-employment services, and works supports and case management; • Contracts entirely for the above services; and • Salaries and benefits of staff providing program services.

[16] See 45 CFR 263.0(b)(2) for more information on administrative costs.

Ms. Hart explained that there is a 15 percent limit on TANF Federal funds used for administration. A 15 percent limit is applied to the SFAG minus transfers, and a separate 15 percent limit applies to MOE. The 15 percent limit does apply to "replacement funds," for example when a State replaces a grant reduction for a penalty.[17]

While the 15 percent limitation applies to most administrative costs, there is an exclusion of the limit for expenditures spent on information technology and computerization for tracking and monitoring that is required by the TANF program. Systems costs include cost of staff that develop, maintain, support and operate systems as well as contracts related to these functions. The systems exclusion applies to Federal TANF Funds and MOE. The costs of information systems not related to TANF requirements, such as personnel and payroll costs, are subject to the 15 percent limit.[18]

Ms. Hart then discussed administrative costs and contracts. Contracting out certain functions does not absolve States from identifying administrative costs subject to the 15 percent limitation.[19] States should determine whether a contract or subcontract is a program or administrative cost based on the function or nature of the contract; the entire contract is either administrative or programmatic. If a contract has a mix of administrative and programmatic activities, the State must develop a method for attributing the proper share of administrative costs.

States should be aware that if certain non-salary costs are directly associated with administrative activity, they are to be considered administrative costs. For example:

- Office space directly associated with a case management unit is not an administrative cost;
- Office space directly associated with an income maintenance eligibility determination unit is an administrative cost; and
- Office space directly associated with personnel unit is an administrative cost.[20]

In addition, it is important to be aware that overhead costs are always administrative costs, even when associated with, or allocated to, a non-administrative service or activity; this is because they are *indirectly* related to that service or activity.

Cost Allocation

In regards to cost allocation, Ms. Hart explained that States must have a reasonable method for determining and allocating administrative and program costs.[21] States must allocate costs properly and attribute administrative, program, and systems costs to benefiting programs and appropriate cost categories in accordance with an approved Cost Allocation Plan and the Cost Principles in Part 92 of the TANF Final Rule (see page 17811).

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[17] See page 17832 of TANF Final Rule for more information on limitations for replacement funds: http://www.acf.hhs.gov/programs/ofa/resource/tanf-final-rule

[18] See 45 CFR 263.0(b); 263.2(5)(ii); and 263.13 for more information on the limitation exclusion.

[19] See pages 17812-17813 of TANF Final Rule for more information on administrative costs and contracts: http://www.acf.hhs.gov/programs/ofa/resource/tanf-final-rule

[20] See 45 CFR 263.0(b)(1)(ii) and 263.0(b)(2)(ix) for more information on non-salary administrative costs.

[21] See page 17810 of the TANF Final Rule for more information on cost allocation: http://www.acf.hhs.gov/programs/ofa/resource/tanf-final-rule

For cost allocation guidelines and methodology, States must use the “benefiting program” as described in 45 CFR 263.14. Prior to TANF, HHS allowed for a “primary program” method, which allowed for charging “common cost” to AFDC and “incremental cost” to the Food Stamp (now SNAP) and Medicaid programs. Based on Office of Management and Budget (OMB) Circular A-87 (2 CFR Part 225), OGAM-AT-98-2 was issued, which required a benefiting methodology. Several States challenged this requirement and ultimately won in court. Appeals court left ACF the option to regulate this area. As a result, 45 CFR 263.14 was issued, which stated that States are to use the benefiting program method.[22]

Fiscal Forum #5 - Audits

After the TANF costs overview, Ms. Joani Hart provided attendees with information on OMB Circular A-133: *Audits of State and Local Governments and Non-Profit Organizations*, the audit process, and the most commonly cited TANF findings.

Non-Federal entities that expend $500,000 or more per year in Federal awards are required to have a single or program-specific audit conducted for that year. **Figure 12** describes the flow of the audit process. Each OMB Circular A-133 audit includes an entrance conference and an exit conference. During the entrance conference, it is important for TANF leadership to provide information to the auditor so that they understand the program. After the audit is conducted, the auditor may or may not discuss specific audit findings. Fiscal TANF staff should be present during the conference and verify that the findings are correct and that there are no discrepancies. OMB has issued the Circular A-133 Compliance Supplement that can assist auditors in performing the required audit and provides guidance in determining compliance requirements. All State TANF program and fiscal staff should be familiar with the A-133 Compliance Supplement in order to fully understand what the auditors are looking for.[23]

Figure 12: Audit Flow Process

[22] See 45 CFR 263.14 for cost allocation guidelines and methodology.
[23] The A-133 Compliance Supplement can be accessed here: http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2012

Following the audit, an audit report must be submitted within 30 days after receipt of the auditor's report, or nine months after the end of the audit period (whichever occurs first), unless a longer period is agreed to in advance. PRWORA does not give ACF authority to disallow costs in enforcing TANF requirements – rather authority exists to impose penalties. Upon resolution, ACF issues an Audit Determination Letter which outlines the findings, the corrective actions taken or planned, and ACF's determination. There are several types of audit findings: misuse of funds; five year limit on receipt of assistance; and failure to implement income, eligibility, and verification system requirements (see **Figure 13**).

Figure 13

Types of Audit Findings

- Misuse:
  - Weak or inadequate sub-recipient monitoring.
  - Wrongfully allocated funds or improper drawdown of funds.
  - Missing or inadequate case files or other documentation.
  - Poor retention of records and supporting documentation.
- Five Year Limit on Receipt of Assistance.
- Failure to Implement Income, Eligibility, and Verification System Requirements.

Open Topics Forum - Audit Penalties, Reasonable Cause, Corrective Compliance, and Replacement of Funds

To close out the training, Mr. John C. Disque, a TANF Program Specialist with OFA Region VI, provided attendees with information on audit resolution – including penalties, reasonable cause, corrective compliance, and replacement of funds. He explained that if there is an audit finding, States have several options for resolution. They can dispute the penalty; request reasonable cause (if applicable); submit a Corrective Compliance Plan (if applicable); appeal to the Departmental Appeals Board; or pay the penalty. The penalty process consists of seven main steps:

1) ACF notifies the State of the penalty;
2) The State may dispute the accuracy of penalty decision;
3) The State may claim reasonable cause, if applicable;
4) At this point ACF responds and if reasonable cause is granted, the process stops.
5) If applicable, the State may enter into a Corrective Compliance Plan;
6) ACF accepts or denies the Corrective Compliance Plan; and
7) Penalties are subject to appeal to the Departmental Appeals Board (DAB).

Reasonable cause can be requested and granted only if there are specific circumstances in the State that make the spending of funds outside of TANF regulations *reasonable*. General factors include natural disasters and other calamities, incorrect formally issued Federal guidance, or isolated problems of minimal impact. In determining reasonable cause, ACF considers the State's efforts to meet the requirements and the duration and severity of the circumstances that led to the failure. The State has the burden of proof and must substantiate the claim with relevant information.

If a State does not claim reasonable cause, or if the claim is not granted, the State can submit a Corrective Compliance Plan (CCP). The required elements for a CPP are included in **Figure 14**.

Figure 14

Corrective Compliance Plan Requirements

- A complete analysis of why the State did not meet the requirements.
- A detailed description of how the State will correct or discontinue, as appropriate, the violation in a timely manner.
- The time period in which the violation will be corrected or discontinued.
- The milestones, including interim process and outcome goals, that the State will achieve to assure it comes into compliance within the specified time period.
- A certification by the Governor that the State is committed to correcting or discontinuing the violation, in accordance with the plan.

Timeframes for correcting or discontinuing a violation through a CPP are dependent on the type of violation. For failing a WPR requirement, work verification requirements, or failing to comply with the five-year time limit, a State must achieve compliance by the end of the first Fiscal Year ending at least six months after OFA's receipt of the CCP. For all other penalties, a State must achieve compliance by a date that the State reflects in the plan as the minimum period necessary to achieve compliance, which is negotiated with ACF. See **Figure 15** for information on common State, Territory, and Tribal TANF program penalties and the number of penalties by category.

Figure 15: Number of Penalties by Category

	Number of Penalties	States/Territories/Tribes Where Penalties Occurred
1. Data Reporting	19	CA, CT, Guam, ME, MO, NE, OH, PA, PR, RI
2. Failure to Expend Additional Funds	2	HI, PR
3. IEVS	18	AR, CO,CT, Guam, ME, NM, NY, OH, PR, RI,VA, WI
4. IV-D Cooperation	18	AR, IL, IA, MI, NE, NV, NM, NC, ND, OH, OK, PR, TN
5. Misuse	32	AL, AZ, AR, FL, GA, ID, KS, KY, LA, MD, MT, OH, OK, PR, SC, TN, WV, Eastern Shoshone, Navajo Nation, Owens Valley, Robinson Rancheria, Torres Martinez
6. Time Limits	4	CA, KY, NM, ND
7. Work Participation	145	50 States, Territories, and Tribes
8. Work Sanctions	4	AR, IL, MI, OH

In regards to penalty resolution, penalties will not be taken if the CCP completely corrects or discontinues the violation within the plan period. If the State does not achieve the CCP and correct the violation within plan period, OFA will notify the State of an adverse action, taking the prescribed penalty. Under limited circumstances, the penalty may be reduced even if the violation is not fully corrected or discontinued if: (1) the State made substantial progress towards correcting or discontinuing the violation, or (2) the State's failure to comply is fully attributable to either a natural disaster or regional recession.

Mr. Disque concluded with information on replacement funds. State TANF programs must expend additional State funds in the following fiscal year to replace the reduction due a penalty. Replacement funds are not counted toward the MOE requirement and should be reported on the ACF-196. If a State fails to expend replacement funds, it is subject to an additional penalty of up to two percent of the adjusted SFAG plus the replacement amount.[24] Replacement funds are not subject to the 15 percent limitation on administrative costs - they must be expended for TANF allowable expenditures - but are not subject to MOE requirements.[25]

Closing Remarks

Following the final session, Mr. Larry Brendel, TANF Program Manager from OFA Region VI, provided closing remarks for the *Region VI TANF Fiscal Policies and Reporting Training*. He thanked State TANF program and fiscal teams for attending, and encouraged attendees to provide feedback to OFA on the training as well as their future technical assistance needs.

[24] See 45 CFR 262.1 for more information on replacement funds.
[25] See page 17832 of TANF Final Rule for more information and replacement funds and requirements: http://www.acf.hhs.gov/programs/ofa/resource/tanf-final-rule