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**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)****State Project/Program: WORK FIRST PROGRAM****U. S. Department of Health and Human Services**

**Federal Authorization:** Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193; Balanced Budget Act of 1997, Public Law 105-33. Reauthorized by the Deficit Reduction Act of 2005, Public Law. 109-171

Temporary Assistance for Needy Families (TANF) Final Rule was published in the Federal Register on April 12, 1999 (Vol. 64, No. 69). The Tribal Temporary Assistance for Needy Families (TANF) Proposed Rule was published in the Federal Register July 22, 1998 (Vol. 63 No. 140), 45 CFR 200 et seq. The Tribal TANF Final Rule was published in the Federal Register on February 18, 2000 (Vol. 65, No. 34). The Interim Final Rule was published in the Federal Register June 29, 2006 (Volume 71, Number 125)

TANF is subject to the A-102 Common Rule and OMB Circular A-87. This is in contrast to AFDC, which, as described in Appendix I, was excluded from the A-102 Common Rule.

**State Authorization:** 108A-25., 108A-25.2., 108A-25.3., 108A-26., 108A-27. through 108A-27.15. , 108A-29., 108A-29.1., 108A-31., 108A-36., 108A-38., 108A-39. S. L. 1999-237 (House Bill 168), S.L. 2001-424 (Senate Bill 1005)

**N. C. Department of Health and Human Services  
Division of Social Services**

**Agency Contact Persons – Program**

Family Support and Child Welfare Services

Charisse Johnson  
(919) 733-9467

[Charisse.Johnson@ncmail.net](mailto:Charisse.Johnson@ncmail.net)

**Agency Contact Person - Financial**

Sarah Barham  
(919) 733-1259

[Sarah.Barham@ncmail.net](mailto:Sarah.Barham@ncmail.net)

**N. C. DHHS Confirmation Reports:**

SFY 2008 audit confirmation reports for payments made to Counties, Area Programs, Boards of Education, Councils of Government, District Health Departments, DCD State Level Contractors and HRSA Bioterrorism Grant Subrecipients will be available by around late August to early September at the following web address: <http://www.dhhs.state.nc.us/control/> At this site, page down to “Letters/reports/forms for ALL Agencies” and click on “Audit Confirmation Reports (State Fiscal Year 2007-2008)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from the DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2006-2008)”.

**The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the Supplement a “safe**

harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

*The N. C. Office of State Auditor has identified this program to be audited as a major by certain counties in North Carolina in order to satisfy new federal requirements on testing eligibility. The Local Government Commission has notified the county and their auditor. Please refer to LGC Memo #993, April 23, 2003. In addition to auditing the program as major, the auditor is required to complete a Letter of Representation to the State Auditor of N.C. and a Turnaround Document and submit both to the LGC with the audit package.*

## **I. TANF PROGRAM OBJECTIVES**

North Carolina’s TANF program is Work First. Work First provides time-limited assistance to needy families with children. The four purposes of TANF are:

1. That the children can be cared for in their own homes or in the homes of relatives;
2. To end dependence of needy parents on government benefits by promoting job preparation and work;
3. To prevent and reduce out-of-wedlock pregnancies, including establishing prevention and reduction goals; and
4. To encourage the formation and maintenance of two-parent families.

The Work First program replaces the Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills Training (JOBS), and Emergency Assistance (EA) Programs. Because TANF replaces EA, services that were allowable under the approved North Carolina AFDC-EA (IV-A-EA) program prior to TANF are also allowable expenditures for TANF funds. As a result, a number of children’s services are funded as a part of the Work First program to continue to support the safety and well-being of families and children.

## **II. PROGRAM PROCEDURES**

The Administration for Children and Families (ACF), a component of the U. S. Department of Health and Human Services (US DHHS), administers the TANF program. To be eligible for the TANF block grant, a state must submit a TANF State plan containing specified information and assurances within the 27-month period prior to the Federal fiscal year in which the funds are to be provided.

North Carolina has submitted the 2008-2009 TANF State plan to ACF. This Work First plan was effective October 1, 2007.

Indian Tribal governments are also eligible entities for TANF, but under another set of requirements that ACF implemented separately. In North Carolina, the Eastern Band of the Cherokee Nation receives a separate TANF grant directly from the US DHHS for its Employment Program, called Native Employment Works (NEW). The Cherokees at this time have elected not to implement their own cash assistance program. Eligible tribal members receive cash assistance through the department of social services in the county in which they live. The same eligibility criteria apply to tribal members as to non-tribal families. However, in the following counties, tribal members who live on the reservation receive employment services through the tribal program: Haywood, Graham, Jackson, Swain, Macon, Cherokee and Clay.

Following ACF review of the State plan and determination that it is complete, ACF awards the basic “State Family Assistance Grant” (SFAG) to the State using a formula allocation derived

from funding levels under the superseded programs. States meeting the qualifying criteria may also receive supplemental grants, bonuses, loans, and payments from a contingency fund. As long as the minimum requirements are met, a state has significant flexibility in designing programs and determining eligibility requirements and may use grant funds to provide cash or non-cash assistance, including direct services, and for administrative activities. Along with the discretion provided to the states, there are also a number of provisions to ensure accountability for results, in the form of monetary penalties, and requirements to provide a variety of data to ACF about expenditures and individuals receiving benefits under the program. Additional monetary penalties are now included as a result of the Deficit Reduction Act of 2005. Failure to meet the required Work Participation Rates of 50% for all families and 90% for two-parent families can result in financial penalties to the state.

Work First is a State supervised and locally administered public assistance program. North Carolina has passed along to all 100 counties the flexibility necessary to allow employment and child welfare programs to be designed to meet local needs. Eight counties have been designated as “electing” counties by the legislature: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, and Wilson. These counties are responsible for defining their eligibility criteria and cash assistance levels. To assess compliance in these counties, the auditor must use the specific county Work First plan. The local department of social services must maintain their county plan. Counties can amend their county plan through sending a plan amendment. Effective January 1, 2002, each plan amendment must be approved by the local board of commissioners prior to submission to the Family Support and Child Welfare Services Section of the State Division of Social Services. Each county plan and plan amendment is also submitted to the Family Support and Child Welfare Services Section and maintained in that office.

Families wanting to have eligibility for Work First assessed must apply for assistance in the county in which they live. The county department is responsible for ensuring that only eligible families are approved for Work First using the requirements outlined in the Work First manual or their county plan. Work First Family Assistance applications are to be completed within 45 days from the date of application unless the applicant causes the delay. Applications can remain pending for up to 6 months for awaiting citizenship and identity documentation.

North Carolina grants TANF funds to the counties as a part of the Work First County Block Grant (WFCBG), which is also comprised of State and county funds. The State and county funds are required maintenance of effort (MOE) funds that must be spent in order for North Carolina to earn the federal TANF grant. Because activities that were allowable under the previous AFDC-EA plan are allowable expenditures for TANF funds and may be provided to families without regard to income, counties generally use the TANF funds in their WFCBG for child welfare activities, including foster care payments. Those types of activities comprise what is referred to as the TANF-EA (TANF-Emergency Assistance), or TEA program. Child welfare services may also be provided using MOE (State and county) funding, but only if the service meets one of the four purposes of TANF, as listed above, and if the income of the family served does not exceed 200% of the federal poverty level. Employment-related services may generally be provided with either TANF or MOE funding. Although allowable activities and eligible families may vary for each of these different types of programs, they are all a part of and are reimbursed through the WFCBG. The TEA foster care payments are made through the Child Placement and Payment System, but are reimbursed and tracked through the DSS-1571 against the county’s WFCBG funding.

The allocation formula for the TANF funds in each WFCBG is based on G.S. 108A 27.11(a). MOE funding is based on G.S. 108A-27.12(d)&(e). Available State funds are prorated among

electing counties. Standard counties use this block grant to fund all Work First services. Standard county WFCBG's are comprised of only federal and county funds.

Electing counties operate under the same criteria as Standard with regards to how the funds within the block grant may be utilized, but their WFCBG also includes State funds and their county's MOE is automatically reduced to 90%. Any State funds that are unspent by the county at year-end revert to the State general fund. Electing counties further receive an allocation of TANF funds utilized to fund cash payments. They have the discretion to request that a portion of these funds be transferred to the block grant to fund Work First services.

The Division of Social Services sends instructions and policy to county departments of social services via DSS Administrative Letters, revisions to the Work First Manual, Eligibility Information System (EIS) terminal messages, and other letters or correspondence with county departments. Changes with implementation dates are noted in the Eligibility section below. In addition, the [TANF State Plan](#) can be found at Division of Social Services web site at:

[http://www.ncdhhs.gov/dss/workfirst/docs/TANF\\_StatePlan\\_1007.pdf](http://www.ncdhhs.gov/dss/workfirst/docs/TANF_StatePlan_1007.pdf)

As a result of the Deficit Reduction Act of 2005, the state was required to have an approved Work Verification Plan by October 1, 2007 that ensured implementation of the requirements in the Interim Final Rule. The State's Work Verification Plan was approved in September 2007 and can be found at:

[http://www.ncdhhs.gov/dss/workfirst/docs/work\\_verification\\_plan\\_09\\_2007.pdf](http://www.ncdhhs.gov/dss/workfirst/docs/work_verification_plan_09_2007.pdf)

In North Carolina, the General Assembly appropriates TANF funds to a number of agencies other than the Division of Social Services and county departments of social services. Within the Department of Health and Human Services, TANF funds are appropriated to the Division of Mental Health, Developmental Disabilities, Substance Abuse Services and the Division of Maternal and Child Health. TANF funds are also appropriated to the Employment Security Commission.

### III. COMPLIANCE REQUIREMENTS

**NOTE: For clarity, each of these compliance requirements is defined individually for the three different types of expenditures: services allowed for TANF under the previous AFDC-EA plan (TEA); child welfare services funded with MOE; and employment and all other allowable services (Work First Program).**

#### **Crosscutting Requirements**

**The compliance requirements in the Division of Social Services "Crosscutting Requirements" in Section D (DSS-0) are applicable to this grant.**

#### **A. Activities Allowed or Unallowed**

Funds may be used in any manner reasonably calculated to achieve the purposes of the program (as specified in 42 USC 601), including providing low-income households with assistance in meeting home heating and cooling costs, or any uses authorized for State expenditure under prior Parts A and F, Title IV-A, of the Social Security Act as in effect on September 30, 1995 (42 USC 604(a) (1) and (2)).

#### **Work First:**

1. In the Work First Program, as described in the TANF State Plan and in the Work First Manual, county departments of social services determine locally the activities needed to assist adults moving toward employment and assisting at-risk children and families.
2. Funds may be used for programs to prevent and reduce the number of out-of-wedlock pregnancies, including programs targeted to law enforcement officials, the educational system and counseling services, that provide education and training of women and men on the problem of statutory rape (42 USC 602(a)(1)(A)(v) and (vi)).
3. Funds may be used to make payments or provide job placement vouchers to State-approved public and private job placement agencies providing employment placement services to individuals receiving assistance under TANF (42 USC 604(f)).
4. Funds may be used to carry out a program to fund individual development accounts (as described in 42 USC 604(h) (2)) established by individuals eligible to receive assistance under TANF (42 USC 604(h)).
5. Funds may not be used for juvenile justice activities (42 USC 604(a) (2)).
6. TANF funds may not be used to provide medical services other than pre-pregnancy family planning services (42 USC 608(a) (6)). MOE funds may be used to fund health insurance or other medical needs that allow families to work.
7. Funds may not be used for sectarian worship, instruction, or proselytization (42 USC 604a(j)).
8. Funds may be used to contract with charitable, religious and private organizations to provide administrative and programmatic services and may provide beneficiaries of assistance with certificates, vouchers, or other forms of disbursement which are redeemable with such organization (42 USC 604a(b)).
9. Employment and related services may be provided to non-custodial parents of Work First-eligible children. However only TANF funds may be used for these services. MOE funds may not be used for these services.
10. Up to 30 percent of the State's combined total of the State family assistance grant, and any supplemental grant for population increases for a given fiscal year may be transferred to carry out programs under the Social Services Block Grant (Title XX) (CFDA 93.667) and/or the Child Care and Development Block Grant (CFDA 93.575).

Contingency funds under 42 USC 603(b) cannot be transferred under this authority (42 USC 604(d)). Counties are permitted to use their local block grant funds directly to fund TANF eligible's' child care and transfer to the State's Child Care and Development Funds Block Grant for child care subsidies (Section V. (q) of Senate Bill 1366).

**TEA:**

Please refer to the following websites for current policies relating to TEA:

[http://info.dhhs.state.nc.us/olm/manuals/dss/csm-95/man/WF102-01.htm#P266\\_17220](http://info.dhhs.state.nc.us/olm/manuals/dss/csm-95/man/WF102-01.htm#P266_17220)

and

<http://info.dhhs.state.nc.us/olm/manuals/dss/csm-78/man/CScXIII.pdf>

Funds may be used for foster care board payments under the following conditions:

- For facilities with an established Facility Rate, TEA will reimburse the county up to the Facility Rate at 100%.
- For facilities without an established Facility Rate, TEA will reimburse the county up to the Standard Board Rate at 100%.
- For Family Foster Homes, TEA will reimburse the county up to the amount that the county pays to the foster home at 100%.

Program funds may be used to pay for Foster Care Assistance, which includes:

Foster Care Board Payments - are rates established by the General Assembly and are age-related. Foster care board payments are the amounts paid to licensed foster care facilities for food and shelter for foster children placed in the facility. Each county that pays above the Standard Board Rate must have a written policy that assures that children are treated the same, regardless of funding source.

Personal needs allowance - is the amount paid for clothing, personal incidentals, usual school expenses and usual transportation.

No foster care board payments may be provided to any individual who has passed his eighteenth birthday unless s/he is less than 21 years of age and is a full-time student for the next school term pursuing a high school diploma or its equivalent; a course of study at the college level; or a course of vocational or technical training designed to fit him for gainful employment. This information is available in the individual's case record.

Please refer to Service Information System Manual located at the following website for a listing of the services allowable under this program:

[http://info.dhhs.state.nc.us/olm/manuals/dss/rim-01/man/SIS-04.htm#P1271\\_65668](http://info.dhhs.state.nc.us/olm/manuals/dss/rim-01/man/SIS-04.htm#P1271_65668)

(Program Code 0 and R).

**Compliance Requirement:** Counties must utilize proper coding in SIS to ensure funding is utilized appropriately. Counties must also ensure children being served with these funds meet TEA eligibility requirements.

**Audit Objective:** To determine if the county documented TEA eligibility of children served with either Program Code 0 or R.

**Suggested Audit Procedures:**

1. Is child welfare staff time spent working with TEA-eligible children (Day Sheet Codes 0 and R) coded on the 1571 to the TANF CPS/Foster Care/Adoption allocation (0) until it is exhausted before reporting child welfare staff to Work First Federal (R)?
2. Does the worker document how the child meets the TEA eligibility requirements?

**Child Welfare MOE:**

Please refer to Service Information System Manual located at the following website for a listing of the services allowable under this program:

[http://info.dhhs.state.nc.us/olm/manuals/dss/rim-01/man/SIS-04.htm#P1271\\_65668](http://info.dhhs.state.nc.us/olm/manuals/dss/rim-01/man/SIS-04.htm#P1271_65668)

(Program Code 9).

MOE Funds may not be used for foster care board payments or for adoption assistance payments.

#### **B. Allowable Costs/Cost Principles**

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

#### **C. Cash Management**

Standard county departments of social services and Housing Initiative counties receive funding under this program on a reimbursement rather than an advance basis. Therefore, no audit testing is necessary with respect to the federal cash management requirements of Part III of the Circular A-133 Compliance Supplement.

Electing county department of social services receive their State allocation in their Work First County Block Grant on a reimbursement basis using the XS335 report. As funds are earned monthly, the county is reimbursed via Electronic Funds Transfer (EFT).

#### **E. Eligibility**

In general, services provided under the first and second goals using TANF funds and any of the goals of TANF using MOE funds may only be provided to families that are financially needy (i.e. with incomes at or below 200% of the federal poverty level). Services provided under the third and fourth goals using TANF funds may be provided without regard to income. Services that are allowable because they were part of the previous AFDC-EA program may be provided without regard to income using TANF funds only.

#### **Work First:**

Unless otherwise noted, the basic eligibility rules for Work First described below apply to standard counties only. Electing counties may set different eligibility requirements. Those requirements are in the county's plan. Each county is required to maintain its local plan. The plans are also housed at the Division of Social Services.

1. All parents and caretakers must sign the Mutual Responsibility Agreement in order to become and remain eligible for Work First.
2. Children may receive through the month they turn age 18. Children aged 18, if in high school and expected to graduate from high school by the month of their 19<sup>th</sup> birthday, can receive through the month they graduate from high school. Electing counties must require at a minimum that the child be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old.
3. Adults who receive SSI and children who receive SSI, IV-E foster care or Adoption Assistance are not included as recipients in the Work First case. If there is only one child for whom an application would be made and that child receives SSI, the parent may receive assistance with a payment for one person.
4. Parents and step-parents who apply for children must be included in the case with the child, unless they are otherwise ineligible. Certain other relatives, and non-relatives who

have legal custody or guardianship, may apply for assistance for a child, but cannot be included.

5. Illegal immigrants are not eligible to receive Work First. However, Work First may be provided to citizens and qualified legal immigrants as defined by federal law. North Carolina elects to provide assistance to cover all optional non-citizen populations allowable under federal law. This provision applies to electing counties also.
6. A family cap on assistance is in effect. This means that with some exceptions, a family's Work First Family Assistance check will not increase when a child is born 10 months after a month in which the family received cash assistance.
7. Teen parents under age 18, unless emancipated, must meet special educational and living arrangement requirements. See Work First Manual section 107 for more detailed information.

Electing counties must ensure that assistance is not provided to teen parents under 18 who are unmarried and have a minor child at least 12 weeks old, and have not successfully completed high school or its equivalent unless the individual either participates in education activities directed toward attainment of a high school diploma or its equivalent, or participates in an alternative education or training program approved by the county.

8. There is a five-year lifetime limit on receipt of federal TANF funds. This means that a family is not eligible for Work First Family Assistance if it contains an adult who has received Work First Family Assistance for 60 cumulative months. The count, in North Carolina, for the five-year lifetime time limit began January 1, 1997. Families moving from other States may have months prior to January 1997 that count toward their lifetime limit if the State they received assistance in began their TANF Program prior to January 1997. Electing counties may set a lower lifetime limit, but can not exceed the 60-month lifetime limit.
9. In addition to the five-year federal lifetime limit, families who are active in North Carolina's Work First Employment Services are limited to 24 cumulative months of cash assistance unless an extension as described below is granted. Families may re-apply for Work First cash assistance after being off assistance for 36 months.
  - a. Families may request an extension of the 24 month time limit at the end of the 24 month period or anytime following termination, including any time within the 36 month period of ineligibility. An extension may be requested verbally or in writing.
  - b. The County Board of Social Services, or their designee, will consider and decide on whether an extension will be granted.
10. All Work First applicants must provide a Social Security number, or apply for a Social Security number if they do not have one. Unless an individual has a Social Security number or applies for one, that individual is not eligible for Work First. This applies to electing counties also.
11. Individuals who are temporarily absent from the home may continue to be eligible for Work First as described here. An adult must report to the case manager when a child is expected to be absent from the home for 90 consecutive days or longer. A child who is expected to be absent from the home for longer than 90 days is not eligible for Work First Family Assistance unless the child is absent with good cause. *Good cause* includes absences for medical treatment, substance abuse treatment, health care, and educational requirements.

Electing counties: A county may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the county, such period of not less than 30 and not more than 180 consecutive days unless the county grants a good cause exception, as provided in its County Plan.

12. The adult must report the child's absence within five days of knowing the absence would exceed 90 consecutive days. Failure to report the absence within five days makes the adult ineligible for three months beginning the month after failing to make the report. This applies to electing counties also; however an electing county may set a different period of ineligibility and may set a different period of absence that must be expected to be exceeded prior to reporting to the county.
13. An individual, who is convicted of misrepresenting his residence in order to receive Work First (TANF in other States), Medicaid, SSI, or Food Stamps in more than one State, or more than one location in North Carolina, is ineligible for Work First Family Assistance for ten years beginning on the date of conviction. Applies to electing counties also.
14. Incarcerated or institutionalized individuals are not eligible for Work First Family Assistance. This applies to electing counties also.
15. The family's countable assets can not exceed \$3,000. Countable assets are defined in Work First policy.
16. Deductions are applied to a family's gross monthly earnings as described in the Work First manual. Then, a family's net earned income and net unearned income are deducted from the Need Standard for the number of assistance unit members. The payment is ½ of the difference. Electing counties may set their own deductions, however the payment calculation must use the Need Standard. The Need Standard can be found in the Work First Manual.
17. For the month of application, Work First Family Assistance payments are prorated from the date of application with the date of application being day one. Otherwise, payments are made for the full month.
18. Families with income and teen parents will receive quarterly reports enabling them to report income and other information. Failure to submit a timely quarterly report results in termination of Work First. The quarterly report process is defined in the Work First Manual.
19. Some families, who meet other Work First criteria, and who are facing a crisis related primarily to employment may be offered Benefit Diversion in lieu of traditional Work First cash assistance. These families can receive a one time payment, up to the maximum Work First benefit for 3 months for a family of the same size. They also receive Medicaid and may receive Food Stamp benefits and childcare assistance. Whether to offer Benefit Diversion is initially the county's decision on a case by case basis.
20. An individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony, or who is violating a condition of probation or parole imposed under Federal or State law is ineligible for assistance. This applies to electing counties also.
21. An individual convicted on or after August 23, 1996, under federal or State law of any offense committed on or after August 23, 1996, which is classified as a felony by the jurisdiction involved and has as an element the possession, use, or distribution of a controlled substance is not eligible to be included in the Work First payment. This does not apply to individuals convicted of Class H or I controlled substance felony offenses in North Carolina. Individuals who have been convicted of a Class H or I controlled

substance felony in North Carolina may be eligible for Work First under the following conditions:

- The individual may be eligible six (6) months after release from custody or if the individual was never committed to custody, six months after the date of conviction, if there has been no additional controlled substance felony conviction, **and**
  - The individual has successfully completed, or has continuously participated in a required substance abuse treatment program determined appropriate by the Local Management Entity. This applies to electing counties also.
22. In order for a family to be eligible for Work First Family Assistance, the family must assign to the State the rights the family member may have for support from any other person. This applies to electing counties also.
23. Families who are eligible for cash assistance are eligible for appropriate services. These services can be found in section 118 of the Work First Manual.

Parents who are determined “Work Eligible Individuals” must participate in identified work activities for specified hours per month as defined in section 118 and section 119 of the Work First Manual. If the parent does not meet their required hours, they may be sanctioned unless an exception is made due to hardship.

Detailed requirements for Work First eligibility are outlined in the State Plan, the Work First Manual, the Work Verification Plan, and other policy issuances such as DSS Administrative Letters. The Work First Manual and the other policy issuances are available in each county department of social services. The Work First Manual is also available via the Internet at:

<http://info.dhhs.state.nc.us/olm/manuals/>

Each county is required to operate an emergency assistance program. Each county’s local plan documents the eligibility requirements and benefit levels that county sets for meeting families’ emergency needs by providing one-time short term cash assistance. The eligibility requirements can be no more liberal than those described in State law and federal regulations. Those requirements are: Total income at or below 200% of poverty; and the family must have a child who lives with a relative as defined for Work First cash assistance and who meets the age limit for Work First cash assistance. Family members must meet the same citizenship requirements as for Work First cash assistance.

Each county must also provide services to eligible families at or below 200% of poverty. At county option, counties may provide services to eligible non-custodial parents of Work First children. Only non-cash like assistance may be provided. Counties who provide services to these groups must describe in their local plan the types of services to be provided. See Section 102 of the Work First Manual for more details.

**TEA:**

There are three eligibility requirements for TEA that must be documented in the recipient’s case record. These eligibility requirements are:

- The family or child must be experiencing an emergency situation (emergency is defined as the family or child is receiving CPS services; the child is in danger of removal from his home; or the return of the child to the family might create an emergency situation).

- The child must be living with a parent or specified relative or have lived with a parent or specified relative within six months of the date that eligibility is determined (specified relative is considered to be within the fifth degree of kinship).
- The family or child must not have enough resources to meet the current emergency.

The county department of social services may use TEA funds for child welfare services when the child is not IV-E eligible; when the service to be provided is an allowable TEA child welfare service and when the family or child qualifies under the TEA eligibility requirements listed above. TEA may only fund a service for 364 days.

Administrative Letter CS-1-01, dated August 1, 2001, was issued by the Division of Social Services to comply with a Federal lawsuit settlement agreement relating to AFDC-EA. The settlement agreement stated that, effective August 1, 2001, the following practices were to be instituted by the State:

1. All potential services that a TEA eligible child or family might need would be documented within the first 30 days of eligibility determination;
2. The Child Protective Services report itself constituted the application for emergency services;
3. When the CPS case was substantiated or found "In Need of Services", the family must formally apply for services and be informed that they were receiving TANF-funded services.

The Administrative Letter directed county departments of social services to initiate the following procedures in order to comply with the settlement agreement:

1. The application for TEA services is the Child Protective Services report.
2. Once the case has been substantiated or found "In Need of Services", the parents or caretakers sign a Family Services Agreement within 30 days of the case decision.
3. The Family Services Agreement States "Notification to parents/Guardians/Caretakers: unless otherwise indicated, the activities and services provided by DSS staff or other public or private providers are funded with TANF (Temporary Assistance to Needy Families) or other public funds." When parents/guardians/caretakers sign the form, their signature constitutes the application for TANF services.
4. The Family Services Agreement must contain all services that the worker anticipates the family will need and documents these within the first 30 days. The form may refer to the TEA documentation form used by workers to record the child's eligibility.

**Child Welfare MOE:**

Services to be provided to a family must meet the first TANF goal of maintaining the child in his/her own home or the home of a relative. The family must meet income requirements (monthly income no greater than 200% of Federal Poverty Level), citizenship requirements (workers usually check with their Work First staff to determine this), and the child must be living with a parent or specified relative as defined in the Work First manual, section 112. A child in foster care may receive services funded through MOE if his income and residency requirements are met. The child may not have resources greater than 200% of FPL for a family of one. MOE may only fund non-IV-E-eligible services.

**F. Equipment and Real Property Management**

The Equipment and Real Property Management section in the Division of Social Services “Crosscutting Requirements” in Section D (DSS-0) are applicable to this grant.

**G. Matching, Level of Effort, Earmarking**

In addition to the federally required level of effort, State law establishes a second maintenance of effort requirement for the State and each county (N.C.G.S. 108A-27.12). The State is required to maintain its level of effort at 100% of the amount the State budgeted for these programs (AFDC and JOBS) during SFY 1996-97. Standard counties are required to maintain their level of effort at 100% of the amount the county budgeted for these programs during SFY 1996-97. Electing counties (named above) are required to maintain a level of effort at least 90% of the amount the county budgeted for these programs during SFY 1996-97.

In addition to the expenditures allowed as “qualified State expenditures” (as defined in 42 USC 609(a)(7)(B)), counties may use expenditures over the 80% federally required maintenance of effort for other expenditures such as a number of child welfare services and as the federally required match for a number of IV-E expenditures. County level of efforts is reported via Report WC373 from the NC DHHS Controller’s Office based on information provided on the DSS-1571.

**H. Period of Availability of Federal Funds**

Federal funds are available for expenditure by counties during the State fiscal year (July 1 to June 30) for which they are allocated to the county.

**I. Procurement and Suspension and Debarment**

**Procurement**

The N. C. Department of Health and Human Services (DHHS) and all of its divisions/offices have developed a standard set of rules and regulations that are intended to meet all requirements in conducting day to day purchasing activities. These rules and regulations are set forth in the “DHHS Purchase and Contract Manual, Part I”. Additionally, the following State authorizations apply and are cited by reference in the DHHS Purchase and Contract Manual: (1) N. C. General Statute 143, Articles 3 and 3C, (2) the N. C. Administrative Code, Title 1, Chapter 5, and (3) the State Purchasing Manual. Unless an exception is made in the contract or program agreement with DHHS, all nongovernmental subrecipients are required to follow the same guidelines as does DHHS when making procurements for goods and services. All local government subrecipients are required to comply with N. C. General Statute 143, Article 8 with respect to procurement activities.

All grantees that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform with federal agency codifications of the grants management common rule accessible on the Internet at:

<http://www.whitehouse.gov/omb/grants/chart.html>.

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the procurement standards described in the North Carolina General Statutes and the North Carolina Administrative Code, which are identified in the State of North Carolina Agency Purchasing Manual accessible on the Internet at:

[http://www.doa.state.nc.us/PandC/agpurman.htm#P6\\_65](http://www.doa.state.nc.us/PandC/agpurman.htm#P6_65).

Nongovernmental subrecipients shall maintain written Procurement policies that are followed in procuring the goods and services required to administer the program.

### **Suspension and Debarment**

The listing of most debarred and suspended parties can be viewed at the following web sites:

<http://www.osbm.state.nc.us/osbm/index.html>

<http://epls.arnet.gov>.

### **J. Program Income**

This requirement has not been passed to the subrecipients; therefore, additional testing is not required.

### **L. Reporting**

The State completes and submits to US DHHS the *TANF Data Report (OMB Control No. 0970-0199)* (42 USC 611(a)). North Carolina has opted to report on a statistically valid sample of cases rather than the entire caseload. County departments are required to report manually, or via the internet to the State Division of Social Services certain information about Work First families that is not available in existing automated systems. County departments are provided a listing of the cases selected in the TANF sample for the prior months and are given a deadline each month by which to provide the requested information.

**Compliance Requirement:** Counties must submit the required information on their sample of Work First cases by the required deadline.

**Audit Objective:** Determine whether the correct information was submitted by the deadline.

**Audit Procedure:** Pull a sample of cases that were transmitted to the Division. Review the data elements in the report for completeness and accuracy.

Note: Since this is a statistically valid sample of cases, not every county will have cases sampled each month.

Reimbursement for Foster Care Services is requested by the local DSS through the online Child Placement and Payment System (CPPS). The DSS-5094 form is the source document used to key into CPPS. The PQA-020 and PQA-022 reports are the output produced by the State from CPPS. The PQA-020 and PQA-022 reports are mailed to the counties. Reimbursement is reflected on the "Reimbursement for County Welfare Administration Expenditures", XS335 report.

### **M. Subrecipient Monitoring**

#### **Compliance Requirements**

County departments of social services frequently contract with subrecipients to provide allowable services. Local agencies are responsible for the following (Work First Appendices, Contracting Instructions, Part 4: Monitoring and Management):

- monitoring to provide reasonable assurance that the contractor complies with State and federal requirements;
- ensuring that the purchased activity and/or service is being provided in compliance with the written agreement and Division policy;
- ensuring that Work First block grant funds are expended only for allowable activities and for eligible recipients;
- requiring contractors to take prompt corrective action where areas of non-compliance are found.

## N. Special Tests and Provisions

### 1. Child Support Non-Cooperation

**Compliance Requirement** - If the State or local agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the local agency responsible for the Work First Program, the county department of social services must apply the appropriate level sanction depending on the number of prior program non-compliances (42 USC 608(a)(2) and 42 USC 609(a)(8)). Effective January 2005, Work First sanctions changed due to changes in the TANF State Plan. Automated system constraints mandate that the entire family becomes ineligible for Work First cash assistance. The children will remain eligible for Medicaid; however the non-cooperating parents/caretakers will not unless they are pregnant or receive Medicaid through SSI.

Once non-cooperation is reported the entire case will be ineligible for Work First cash assistance payment for one month or until compliance, whichever is later. This means a family will not get a check unless they cooperate.

Electing counties may set different sanctions, however they must at a minimum reduce the payment amount by 25%.

**Audit Objective** - To determine whether, after notification by the IV-D agency, the county department of social services has taken necessary action to reduce Work First cash assistance.

#### **Suggested Audit Procedures**

1. Review the counties operating procedures and policies concerning this requirement. Ensure electing counties' policies require at least a 25% reduction in benefits.
2. Test a sample of cases referred by the IV-D agency to the county department of social services to ascertain if benefits were reduced as required.

### 2. Income Eligibility and Verification System (IEVS)

**Compliance Requirement** – Each state shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. HHS may penalize a state for up to two percent of the SFAG for failure to

participate in IEVS (42 USC 609(a)(4), 42 USC 1320b-7, and 45 CFR sections 205.51 - 205.60).

**Audit Objective** – To determine whether the local agency has implemented the required IEVS system procedures for data matching and verification as set forth in the Work First User Manual and the Work First Manual as follows:

***Work First User Manual:***

- Section WF 400 (SDX, BENDEX, ESC/UI Inquiry, TPQ) contains instructions on verification tools for federal benefits, wage information and unemployment benefits information through ESC.
- Section WF 500 (SAVE) contains instructions for verification/information from the Immigration and Naturalization Service
- Section WF 610 (Enumeration Data Sheet, SSN Validation Report, FRR [IRS match], BEER) contains instructions for dealing with validation of social security numbers, enumeration report received from SSA with social security numbers, match of individuals with unearned income reported to IRS, and certain incomes reported to SSA. In addition, the enumeration requirements are contained in Section 110 of the Work First Manual.

**Suggested Audit Procedures:**

Test a sample of Work First cases subject to IEVS to ascertain if the local agency:

1. Used the IEVS to determine eligibility in accordance with the State plan.
2. Requested and obtained the data from the Internal Revenue Service, the Statewide Information Collection Agency, the Social Security Administration, and the Immigration and Naturalization Service, as appropriate, and performed the required data matching.
3. Properly considered the information obtained from the data matching in determining the amount of Work First benefits.

**3. Adult Custodial Parent of Child under Six When Child Care Not Available**

**Compliance Requirement** – If an individual is an adult single custodial parent caring for a child under the age of six, the local agency may not reduce assistance for the individual's refusal to engage in required work if the individual demonstrates to the local agency an inability to obtain needed child care based upon the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; and (c) unavailability of appropriate and affordable formal child care arrangements. The determination of inability to find child care is made by the local agency. (42 USC 607(e)(2) and 42 USC 609(a)(11)).

**Audit Objective** – Determine whether the local agency has improperly reduced assistance to adult single custodial parents who refused to work because of inability to obtain child care for a child under the age of six.

**Suggested Audit Procedures:**

1. Gain an understanding of the criteria established by the local agency to determine benefits for an adult single custodial parent who refused to work because of inability to obtain child care for a child who is under the age of six.
2. Select a sample of adult single custodial parents caring for a child who is under six years of age whose benefits have been reduced or terminated.
3. Ascertain if the benefits were improperly reduced or terminated because of inability obtain child care.

**4. Work First Claim Information**

The Enterprise Program Integrity Control System (EPICS) was available to counties beginning November 8, 1999. Claims for overpayments in the Work First Program are to be entered and tracked in the EPICS system by all counties. The county must maintain adequate documentation to substantiate the overpayment for all cases.

**Compliance Requirement:** Counties must maintain adequate case documentation to substantiate the claim entry into EPICS. This information includes, but is not limited to the dates of the overpayment period, documentary evidence to substantiate that an overpayment occurred, such as wage stubs or verification from an employer, other income verification and household composition verification, and the budgets used to compute the amount of the overpayment.

**Audit Objective:** Determine whether the correct information was entered into EPICS when the claim was established and that sufficient back up documentation exists to support the claim.

**Suggested Audit Procedure:** Sample cases where an overpayment is documented for a claim entered into EPICS and determine if sufficient documentation exists.

**5. Assessment Requirements under TANF**

**Compliance Requirement** – Once an individual is determined to be eligible for assistance, the county must make an initial assessment of the skills, prior work experience, and employability of each recipient who is at least age 18, who has not completed high school (or equivalent) and who is not attending secondary school. Once an individual is determined to be eligible for assistance, the county may make any required assessments within 30 days of the date an individual becomes eligible for assistance (42 USC 608(b)(1), 608(b)(2)(B)(ii); 45 CFR section 261.11).

County departments of social services utilize information gathered at application, which includes work history, education level and other factors to determine the individual's employability. The county then assigns the individual a Work Registration code that identifies whether the individual is ready for employment, is exempt or has barriers that need to be addressed. The Work Registration codes and their definitions are listed in the Work First User Manual. Each county maintains the manual or it is accessible via the Internet.

**Audit Objective** – Determine whether the county agency has, within the appropriate timeframe, made an assessment of skills, prior work experience and employability of an

individual age 18 or older who has not completed high school (or equivalent) and who is not attending secondary school.

**Suggested Audit Procedures:**

1. Review the counties operating procedures concerning this requirement.
2. Test a sample of Work First cases to ascertain if the correct Work Registration code was assigned and entered into EIS based on information obtained at application regarding work history, education, skills and the health of the individual and the health of others in the home.

**6. Penalty for Refusal to Work**

**Compliance Requirement** – County agency must sanction (reduce or terminate) the assistance payable to the family for refusal to work subject to any good cause or other exemptions established by the State. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 609(a)(14); 45 CFR sections 261.14, 261.16, and 261.54).

Effective January 2005, Work First sanctions changed due to changes in the TANF State Plan. For Standard counties the sanction will result in termination of Work First cash assistance for one month or until compliance, whichever is greater, for the entire family. The family remains eligible for Medicaid. A family does not receive a payment until they comply with the requirement.

Electing counties may set different sanctions.

**Audit Objective** – Determine whether the county agency is sanctioning the assistance grant of those individuals who refuse to engage in work and are not subject to good cause or other exceptions established in the Work First Manual.

**Suggested Audit Procedures**

1. Review the counties operating procedures and policies concerning this requirement.
2. Test a sample of Work First cases where the individual is not working, and if the individual refused to work, ascertain if benefits were sanctioned or do not meet State or electing county good cause criteria.