Tribal TANF

Audit Supplement Guide

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Family Assistance

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INTRODUCTION

The Tribal TANF Guide to Financial Management, Grants Administration, and Program Accountability Supplement is designed to provide Tribal TANF grantees with information on the most common audit findings, as well as program activities that can be implemented to ensure compliance with government regulations.

For each common audit finding, the Guide is organized as follows:

- Common Finding: The auditor's finding is stated.
- Federal Regulation: The federal regulation with which the grantee has not complied is stated.
- Recommendation: The stated recommendation will bring the grantee into compliance with federal regulations.
- Basis for the Recommendation: The justification for implementation of the recommendation is given.
- Action Steps: The action steps detail recommended activities required to implement the recommendation.
- Additional Information: The additional information provides supplemental information to assist grantees in implementing the action steps.

The Appendix provides a Glossary of Terms used throughout the Guide and tools to assist the grantee in implementing the action steps appropriate for individual Tribal TANF programs.

Tribal TANF grantees that do have an audit finding can respond to the finding prior to the auditor issuing the final audit report. If the final audit report is issued with the finding the Tribal TANF grantee can respond to the finding and/or provide information on the corrective action taken by the grantee.

ADMINISTRATIVE EXPENDITURES

Common Finding:

Grantee did not have adequate financial policies and procedures to allow the program to determine the amount of administrative expenditures.

Federal Regulation:

45 CFR Part 286.50.

- "No Tribal TANF grantee may expend more than 35 percent of its Tribal Family Assistance Grant (TFAG) for administrative costs during the first year."
- "No Tribal TANF grantee may expend more than 30 percent of its TFAG for administrative costs during the second year."
- "A Tribal TANF grantee may not expend more than 25 percent of its TFAG for administrative costs during any subsequent grant period."
- TANF Policy Announcement TANF-ACF-PA-98-1 dated January 7, 1998.

Recommendation:

The program shall establish a procedure for the monitoring the administrative expenditures of the program.

Basis for the Recommendation:

The program will have an internal control procedure that supports the Tribal Government's finance department in complying with Tribal TANF Program regulations.

Action Steps:

1. Identify program staff responsible for monitoring program expenditures.

2. Establish a monthly log that details total program expenditures and total administrative expenditures.

3. Calculate cumulative administrative expenses as a percentage of cumulative total expenses on a monthly basis.

4. Develop a corrective action plan if administrative expenses exceed the allowable limit for the first,second, or subsequent year.

5. Develop a program procedure for monitoring administrative expenses.

Additional Information:

"Administrative costs" means costs necessary for the proper administration of the TANF program. It includes the costs for general administration and coordination of the program, including contract costs for these functions and indirect (or overhead) costs. The specific definition can be found in 45 CFR Part 286.5, What definitions apply to this part?, and 45 CFR Part 286.55.

What types of costs are subject to the administrative cost limit on Tribal Family Assistance Grant funds?

It is recommended that when the need for corrective action is identified, it should be developed and implemented within five working days to ensure year-end compliance with administrative cost limitations.

The administrative costs that can be charged to the Tribal TANF are limited to 35 percent in the first year, 30 percent in the second year, and 25 percent in all subsequent years. A Tribe that receives a $100,000 TANF grant can charge to the grant a maximum of $35,000 in the first year, $30,000 in the second year, and $25,000 in the third year for administrative costs. The administrative costs will include the indirect (or overhead) costs allowable as per the Tribe's indirect cost negotiation agreement and all other costs for general administration and coordination of the program.

COMPLIANCE WITH REPORTING REQUIREMENTS

Common Finding:

Grantee is not adhering to the federal requirements for data collection and/or financial reporting applicable to Tribal TANF programs.

Federal Regulation:

45 CFR Part 286.245 through 286.285 and Appendix A.
The reporting requirements include the following:

1. Each Tribe must collect monthly and file quarterly data on individuals and families as follows:

- Disaggregated data collection and reporting requirements in this part apply to families receiving assistance and families no longer receiving assistance under the Tribal TANF program; and
- Aggregated data collection and reporting requirements in this part apply to families receiving, families applying for, and families no longer receiving assistance under the Tribal TANF program.

2. Each Tribe must file in its quarterly TANF Data Report and in the quarterly TANF Financial Report the specified data elements.

3. Each Tribe also must submit an annual report that contains specified information.

4. Each Tribe must submit the necessary reports by the specified due dates.

Recommendation:

The program shall establish procedures for the timely preparation and submission of quarterly and annual reports.

Basis for the Recommendation:

The program will have established procedures that detail individual staff responsibilities for reporting data which will provide the internal controls to ensure compliance with federal regulations.

Action Steps:

1. Identify the program staff responsible for coordinating reporting activities with the Tribal government's fiscal office.

CONTRACT MANAGEMENT

Common Finding:

Grantee is not monitoring and evaluating contractor's performance to ensure adherence to all provisions of the contract or agreement.

Federal Regulation:

45 CFR Part 92.36. "Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

Recommendation:

The program shall establish contract management procedures that support the program activities.

Basis for the Recommendation:

The program will be providing an element of internal control to support the Tribal government's financial procedures as they pertain to contract management.

Action Steps:

1. Develop an internal program procedure that supports the Tribal government procedure for contract management.

2. Identify program staff responsible for monitoring and evaluating program contracts.

3. Develop a program form for documenting reviews of contractor activities and expenditures prior to authorization of payments to contractor.

4. Develop a program form for use in evaluating contractor performance on a scheduled basis, including an assessment of the quality of services provided and adherence to terms and conditions of the contract.

5. Establish contractor files for maintaining records of periodic reviews of contractor activities and performance.

Additional Information:

Contractor performance should be evaluated on a quarterly basis, or at least at six-month intervals. The control environment for procurement as defined in OMB A-133 is detailed below:

- Existence and implementation of codes of conduct and other policies regarding acceptable practice, conflicts of-interest, or expected standards of ethical and moral behavior for making procurements.
- Procurement manual that incorporated Federal requirements.
- Absence of pressure to meet unrealistic procurement performance targets.
- Management's prohibition against intervention or overriding established procurement controls.
- Governing body oversight required for high dollar, lengthy, or other sensitive procurement contracts.
- Adequate knowledge and experience of key procurement managers in light of responsibilities for procurements for Federal awards.
- Clear assignment of authority for issuing purchasing orders and contracting for goods and services.

PARTICIPANT EXPENDITURES

Common Finding:

Grantee did not have a case management system in place to monitor eligibility of participants at the time of payments to participants.

Federal Regulation:

45 CFR Part 92.20.

"Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

Recommendation:

The program shall establish procedures for the following two purposes:

1. To ensure that eligibility of all participants is reviewed at the periodic interval established in the approved Tribal Family Assistance Plan.

2. To ensure the eligibility of participants prior to authorization of payments to participants.

Basis for the Recommendation:

The program will have established procedures to support the Tribal government's internal controls; such procedures will be designed to manage programs effectively and efficiently, and to ensure compliance with federal regulations.

Action Steps:

1. Identify program staff responsible for performing internal audits of participant files on a periodic basis to ensure that determinations of both initial eligibility and continuing eligibility are performed as planned.

2. Maintain a master control list of eligible participants for use by the program staff designated to approve participant payments prior to submission to the Tribal fiscal office.

3. Develop a procedure that specifies the program staff and timeframes for performing internal audits of participant eligibility.

Additional Information:

Internal audit activities should be performed as standard operating procedures during participant file maintenance.

The master control list of eligible participants should be updated monthly.

The client management system must include information to insure compliance with all the requirements of 45 CFR Part 286.

PARTICIPANT RECORDS

Common Finding:

Grantee is not maintaining complete, accurate, and current information on participant eligibility and participant activities in all participant files.

Federal Regulation:

45 CFR Parts 92.20.
"Standards for Financial Management Systems":

1. Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

45 CFR Part 92.42.
"Retention and Access Requirements for Records":

1. Records must be retained for three years from when the grantee submits to the awarding agency its last expenditure report or the expenditure report for the last quarter of the Federal fiscal year.

45 CFR Part 286.35. "Tribes may use Tribal Financial Assistance Grants (TFAG) for expenditures that:

1. Are reasonably calculated to accomplish the purposes of TANF, including, but not limited to, the provision to low-income households with assistance in meeting home heating and cooling costs; assistance in economic development and job creation activities, the provision of supportive services to assist needy families to prepare for, obtain, and retain employment; the provision of supportive services to prevent out-of-wedlock pregnancies, and assistance in keeping families together, or

2. Were an authorized use of funds under the State's plan for Parts A or F of Title IV of the Social Security Act…

Recommendation:

Each program shall maintain participant files that include source documentation which verifies compliance with federal regulations and adherence to approved Tribal Family Assistance Plans.

Basis for the Recommendation:

The program is responsible for maintaining and managing participant records that document participant eligibility and activities that assure compliance with the program's funding source.

Action Steps:

1. Develop an internal program procedure for management of participant records which incorporates the following:

- Master Control Log listing all required forms and information required for the record
- Eligibility and payment documentation
- Re-determination of eligibility on scheduled periodic basis (recommended no less frequently than annually)
- Participant activities

2. Identify the program staff responsible for establishing the participant file, ensuring all required information is included in the file, and signing off on the Master Control Log, certifying that all required information is in the participant file.

3. Identify the program staff responsible for performing an internal review of all participant files on a periodic basis and signing off on the Master Control Log, certifying that all required information is in the participant file.

Additional Information:

Internal reviews should be performed at least quarterly. The program staff member who performs the internal reviews of the files should not be the same program staff member who established the file.

TANF-ACF-PI-2003-1 dated January 28, 2003 provides specific information on Retention of TANF Records.

Retention includes all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees for each fiscal year TANF award.

Essentially, for Federal TANF awards, the 3-year record retention period starts on the day the grantee submits its final expenditure report showing that all the funds awarded in the particular Federal fiscal year have been expended. The 3-year retention period could be longer, if any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period. When one of the enumerated events occurs, the retention period extends "until completion of the action and resolution of all issues or until the end of the regular 3-year period, whichever is later."

PROCUREMENT

Common Finding:

Grantee is not adhering to the federal requirements for procurement of goods and services.

Federal Regulation:

45 CFR Parts 92.36 "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

1. Grantees and subgrantees will maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

2. Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

3. All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of **45 CFR 92.36**

Recommendation:

Each program shall develop and implement policies and procedures requiring the program to document its procurement process

Basis for the Recommendation:

The program will maintain documentation of adherence to the Tribal government's procurement policies and procedures.

Action Steps:

1. Review the Tribal government's procurement policies and procedures.

2. Develop a program procurement policy that supports the Tribal government's procurement policy.

3. Develop a program procurement procedure that includes but is not limited to the following:

a. Program staff authorized to initiate purchases.
b. Coordination activities with Tribal purchasing and program staff responsible for performing activities.
c. Records that must be maintained in each procurement file, including but not limited to method of procurement, type of contract to be awarded, justification of contractor selection, and basis for the contract price.
d. The program staff person responsible for maintaining the program procurement records.
e. Schedule for review of each procurement file.

4. Review Tribal Family Assistance Plan and budget, identify goods and services to be purchased for the program year, and schedule procurement activities as per program procurement procedure.

5. Review procurement files for completeness as per the schedule established in the program procurement procedures.

PROPERTY AND EQUIPMENT MANAGEMENT

Common Finding:

Grantee is not adhering to the federal requirements for the management of property and equipment.

Federal Regulation:

45 CFR Parts 92.31 AND 92.32. "Procedures for managing equipment whether acquired in whole or in part with grant funds require that;

1. Property records must be maintained that include a description of the property, serial number, the source of the property, the acquisition date and cost of the property, percent of federal participation in the cost, the location, use, and condition of the property.

2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Recommendation:

Each program shall maintain property and equipment records and conduct a physical reconciliation of property and equipment acquired under each individual program.

Basis for the Recommendation:

The program will be providing an element of internal control to support the Tribal government's efforts in managing fixed assets and assuring compliance with the program's funding source.

Action Steps:

1. Develop an internal program procedure that supports the Tribal procedure for management of property and equipment.

2. Identify all property and equipment with an acquisition cost of $5,000 or more (or Tribal threshold if less than $5,000).

3. Develop an individual record for all property and each piece of equipment that includes the following information:

   a. Description of the Property/Equipment

b. Serial Number or Other Identification Number
c. Holder of Title to the Property/Equipment
d. Acquisition Date
e. Acquisition Cost
f. Percent of Federal Participation in the Cost of the Property/Equipment
g. Source of Property/Equipment
h. Location of Property/Equipment
i. Use of Property/Equipment
j. Condition of Property/Equipment

6. Tag all property and equipment.

7. Conduct a physical inventory of all property and equipment at a specific time each year.

8. Document the physical inventory and have an authorized individual sign the physical inventory.

9. Make appropriate adjustments to the inventory as needed.

Additional Information:

Maintain all purchase records, property and equipment records, physical reconciliation records, and disposition records for three years after the filing of the final financial status report for the year of disposition.

The property and equipment records must be maintained until all audits for the year of disposition are closed even if it exceeds the three-year records retention requirements. Refer to TANF-ACF-PI-2003-1, dated January 28, 2003 for the Record Retention Policy.

SOURCE DOCUMENTATION

Common Finding:

Grantee does not have documentation that supports and authorizes the expenditure of grant funds.

Federal Regulation:

45 CFR Part 92.20. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

45 CFR Parts 92.20. "Standards for financial management systems:

1. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

45 CFR Part 92.42. "Retention and Access Requirements for Records":

1. Records must be retained for three years from when the grantee submits to the awarding agency its last expenditure report or the expenditure report for the last quarter of the Federal fiscal year.

Recommendation:

Each program shall develop and implement an internal process for review of supporting documentation and authorization of expenditures prior to submission to accounting for payment.

Basis for the Recommendation:

The program will be providing an element of internal control to support the Tribe's financial policies and procedures and assure compliance with the program's funding source.

Action Steps:

1. Develop an internal program procedure that supports the Tribal procedure for authorization of expenditures.

2. Identify one program staff member to perform a secondary review of time and attendance records to ensure:

- Attendance records are received from all program staff.
- Attendance records are signed and dated by employee.
- Attendance records are signed and dated by supervisor.

3. Identify one program staff member to receive all goods, maintain a log of all goods received, and issue reports of all goods received.

4. Program Director shall review all invoices for services and maintain a log of all invoices for services submitted to the Tribal fiscal office for payment.

5. Program Director shall monitor all program expenditures through a monthly review of the program general ledger.

Additional Information:

Maintain the log of goods received and the log of services received for three years from the time of filing the Final Financial Status Report.

GLOSSARY

Allocability: A cost is allocable to a particular program or cost objective if the goods or services involved are chargeable or assignable to such program or cost objective in accordance with relative benefits received.

Allowability: A cost must be allowable under the cost principles detailed in OMB A-87, the Tribal TANF regulations 45 CFR Part 286.35 or 45 CFR Part 286.40, and necessary to perform the activities of the Tribal TANF program.

Disposition: As used in this Guide, the final settlement through sale or disposal of a fixed asset.

Equipment: Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

Fixed Assets: As used in this Guide, property or equipment with an acquisition cost of $5,000 or more.

Participant Eligibility: The criteria established by the Tribe which a family must satisfy for receipt of benefits and services.

Procurement: The process of purchasing goods and/or services.

Reasonableness: A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Reconciliation: As used in this Guide, performing a physical inventory of all property and equipment and reconciling with records of property and equipment purchased by the program to insure accountability.

PARTICIPANT FILE CONTROL FORM

The participant file control form is placed in the front of each file; and, as information is placed in the file, the appropriate box is completed. This will provide an easy method of internal control to insure that all essential information is included in each file. A periodic review of each participant control sheet will allow the grantee to maintain complete participant files. Example is displayed on next page.

Intake Packet Review

Date:_____

Applicant Name:_____ Eligibility Date:_____
Component & Activity:_____ Area Office:_____

REQUIRED INTAKE DOCUMENTATION Primary Intake Date: 45-days out:	Missing	In File	N/A	Verification Source(s)
SSP Application:				
Rules, Rights & Responsibilities:				
Standard ROI:				
Resident Verification:				
Collateral Statement:				
Applicant Statement:				
SED Packet:				
Birth Certificate(s):				
Indian Heritage:				
Birth date & age:				
Social Security Card(s):				
Income Verification:				
Public Assistance:				
UI Compensation/ROI:				
Selective Service Registration:				
State Employment Work History:				
Federal or Other Assistance:				
Medical Release /Handicapped Status:				
Court/ICW/SCF Child Placement:				
Foster Child Payments:				
Proof of Enrollment of school age children:				
Education Status(GED, HS Diploma:				
LON: Missing Documentation (TSA):				
PRIOR TO PROGRAM ENROLLMENT Appointment w/TSS:				
TSS Signed ROI(s):				
Home Visit completed (Cash Grant only):				Date & Time:
LON: Eligibility (TSS):				
Case Plan:				
CRT Contract w/class schedule:				
WEX Contract w/job description:				
Work-site Master Agreement on file:				
OJT Contract w/job description:				
W-4 and/or W-5:				
I-9:				

Key:
CRT Class Room Training
LON Letter of Notification
ROI Release of Information
SED Child Support Packet
SSP Self Sufficiency Program
TSA Tribal Service Assistant
TSS Tribal Service Specialist

The example was provided by the Confederated Tribes of Siletz Indians

SAMPLE PROPERTY RECORD

Description of Property:
Serial Number:
Title Holder:
Acquisition Date:
Acquisition Cost:
Percent of Federal Participation:
Source:
Location:
Use:
Condition:
Other:

SELF ASSESSMENT TOOL

Administrative Costs

1. Is there a written procedure in place for management of administrative costs? If not, what can your program do to establish the procedure?

YES ☐ **NO** ☐

2. Have accounting principles been applied on a consistent basis? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

3. Are administrative costs checked monthly for compliance with limitations? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

Federal Reporting

4. Are specific individuals responsible for preparing the program and financial report? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

5. Are specific individuals responsible for reviewing the reports and ensuring they are submitted in a timely manner? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

Contract Management

6. Does the program have a written procedure for management of contracts? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

7. Does the procedure conform to the Tribal government's procedure? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

8. Are all contractors and vendors evaluated on a periodic basis? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

Participant Expenditures

9. Is a periodic internal audit done on all participant files? If not, what can your program do to strengthen your system? **YES** ☐ **NO** ☐

10. Is there a written procedure that specifies staff responsible and timeframes for the internal audit of participant files? If not, what can your program do to strengthen your system? **YES** ☐ **NO** ☐

11. Is there a staff person assigned to verify participant eligibility prior to authorization of an expenditure? If not, what can your program do to strengthen your system? **YES** ☐ **NO** ☐

Procurement

12. Does the program have procurement procedures governing all program staff? If not, what can your program do to strengthen your procedure? **YES** ☐ **NO** ☐

13. Is the policy consistent with the Tribal Government's procedure? If not, what changes can be made to strengthen the procedure?

YES ☐ **NO** ☐

14. Does the procedure include records management for each procurement? If not, what would include for records management?

YES ☐ **NO** ☐

_____

_____

Property and Equipment

15. Are records maintained in accordance with government regulations? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

_____

_____

16. Was a physical inventory taken of all property and equipment? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

_____

_____

Source Documentation and Internal Control

17. Are purchases and expenses recognized in the appropriate period? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

_____

_____

18. Are purchases and expenses classified properly? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

_____

_____

19. Are all expenditures supported by source documentation? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

_____

_____

20. Do the financial statements accurately reflect the purchases and expenses?If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

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21. Is there a review of expenditures to ensure that the costs are allowable and allocated to the proper funding source? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

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22. Is there a control to ensure that all goods and services have been received prior to payment? If not, what can your program do to strengthen your system?

YES ☐ **NO** ☐

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