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OFFICE OF RESEARCH, ASSESSMENT & ACCOUNTABILITY

Audit Alert

To: All CDJFS and PCSA Directors

From: Kevin Giangola, Deputy Director KAG

Date: March 13, 2007

Subject: Allocation of Costs to the TANF Program in Memoranda of Understanding/Contracts between CDJFSs and Stand-alone PCSAs

Background: As noted in PRC Guidance Letter No. 25, the child welfare system has an enormous opportunity to develop new services to children through the PRC program. In a number of counties the county departments of job and family services (CDJFS) have contracted with the stand-alone public children services agency (PCSA) for child welfare prevention services. The contracts include provision for TANF funding for the administrative costs incurred by the PCSAs in providing such services.

Guidance Letter No. 25 specifically provides guidance to identify and address risks related to the use of TANF/PRC funding by PCSAs. This includes notation to the effect that "Counties who [sic] choose to deliver services through the PCSA can recapture their costs through the social services random moment study (SSRMS)." However, the Bureau of Audit has identified incorrect cost allocation methodologies used by several counties to determine the amount of TANF funding for such administrative costs.

Multi-County Issue:

The cost allocation methodologies used by the counties in question are unauthorized under the federally-approved State Cost Allocation Plan (CAP). The Cost Allocation Plan generally limits counties to the use of a random moment sampling (RMS) system for determining allocability of costs to federal programs. The counties in question are using a "penetration rate" or "caseload weighted" methodology, developed by comparing the number of TANF-related cases they manage to all cases they manage. The use of a penetration rate, or case-weighting, in addition to the federally-approved methodology, results in two systems for allocating costs: one for TANF, and another for all other costs. For this reason, it is not an allowable practice.

Assessment:

The formulas used by the counties for the allocation of costs to these contracts vary, but generally work as follows:

Total Cost Pool x RMS Case Mgmt Hit % x TANF Caseload % = Amount of Costs Allocated

We have confirmed with the Office of Fiscal Services, Bureau of County Finance and Technical Assistance (BCFTA), that use of such a method is improper under Ohio's approved CAP. It is possible to properly allocate these costs within the approved RMS system, and audit staff has identified other counties which are correctly doing so. There are non-reimbursable RMS codes (100, 102, and 103) which can be used to allocate such costs, account for them, and provide a basis for billing a CDJFS for TANF-related case management activities. This has been confirmed by the BCFTA.

When we researched the definitions of these RMS codes in the ODJFS RMS manual, located on the ODJFS Innerweb at http://jfs.ohio.gov/ofs/bcfta/Handouts/RMS_Manual.PDF , we found the language indicates these codes are not to be used by stand-alone PCSAs. Specifically, the code definitions for the three codes (100, 102, and 103) state: "This code is to be used only in Children Services Units of Departments of Job & Family Services".

We have been advised by the BCFTA that the code definitions for the three codes are out of date, and will be reviewed when the RMS cost set work group addresses that code set. BCFTA is working on revisions to the code definitions, and they will be available as instructions to the RMS codes on FORMS Central. A link to the updated RMS codes and forms will be added as soon as possible. In the meantime, BCFTA has advised us that both county separated and combined agencies may use those codes.

JFS 02715 RMS codes 100, 102, and 103 map to non-reimbursable line codes in the ODJFS CORe system. The receipt of the resulting payments from the CDJFS by the PCSA should also be recorded to non-reimbursable line codes.

We have identified at least one instance in which a stand-alone PCSA correctly determined to use the SS-RMS system to allocate such costs, but inadvertently used reimbursable codes for the initial recording of the RMS "hits." The agency then billed the CDJFS for the costs in question, but inadvertently recorded the TANF revenue as a non-reimbursable receipt. They did not offset the original reimbursable claim with this revenue. This unintentionally resulted in an excessive claim on federal funds. To avoid such a situation, please be careful to use the non-reimbursable codes to allocate such costs.

If you have specific questions with regard to allocation of costs under such a Memorandum of Agreement or Contract, please contact your designated Fiscal Supervisor, or call the BCFTA at (614) 644-9512.