

THE SUPPORTING STATEMENT FOR APPROVAL OF THE ACF-196R, THE TANF FINANCIAL REPORTING FORM FOR STATES

A. Justification

1. Circumstances Making the Collection of Information Necessary

The ACF-196R is the form states will use to report expenditure data, as well as to request quarterly grant funds, under the Temporary Assistance for Needy Families (TANF) program (pending funding availability). Failure to collect the data would seriously compromise the Administration for Children and Families' (ACF) ability to monitor TANF expenditures and compliance with statutory requirements. These data are also needed to estimate outlays and to prepare reports and budget submissions for Congress. Authority to require financial reports is contained in section 402 of the Social Security Act, as amended by Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Legislative citations requiring this collection include: 401(c)(1), 409 (a)(7) and 409 (a)(1). The following regulatory citations are relevant as well: 45 CFR Parts 265.3 through 265.9. States are required to report quarterly.

This document requests the approval of the form ACF-196R, which modifies and expands the list of TANF expenditure categories and provides improved clarity in definitions of categories beginning with fiscal year (FY) 2015 reporting. With the addition of the ACF-196R, ACF is also changing how federal grant funds and state maintenance-of-effort (MOE) funds are accounted for and reported; effective FY 2015, states will be required only to report actual expenditures made in the fiscal year on this form, so that the fiscal year reporting provides a clearer picture of expenditures that actually occurred in the fiscal year. This differs from the current method in which states include adjustments and corrections to prior year data in the current quarter's report. States will be required to submit this form for each quarter of the fiscal year. Adjustments and corrections to expenditures for FY 2015 and thereafter will be made to the fiscal year data in which the expenditure occurred, using the new form ACF-196R.

We will maintain the ACF-196 form, which has already been approved (Approved OMB No 0970-0247), as it is necessary for the monitoring of and adjustments to grant year awards issued prior to FY 2015 until all states have closed these pre-FY 2015 grant awards, which could take several years. We are not making any changes to this form, i.e., it will continue to include the list of expenditure categories currently in effect, but a state will only use it to adjust or correct an expenditure that was reported prior to FY 2015. Thus, the reporting burden associated with the ACF-196 will be significantly reduced from 32 hours annually, to an estimated 2 hours annually. Therefore, the change in burden hours associated with TANF financial data reporting is from 32 hours to 130 hours annually (128 hours annually for reporting expenditures on the ACF-106R form, plus 2 hours to update previously submitted ACF-196 forms), for a net increase of 98

hours annually. Additionally, the burden will be reduced in future years as states close out grants for years prior to FY 2015, as doing so will eliminate the need to correct and adjust an ACF-196 report for those years. While we understand that the increase in burden seems significant, we maintain that implementation of the ACF-196R form and associated accounting methods is essential for accurate reporting and monitoring of how states expend TANF and MOE funds. The ability to properly track expenditures is particularly critical for a program that involves over 30 billion dollars of federal and state funds.

2. Purpose and Use of the Information Collection

ACF will continue to use the financial data provided by states to assess compliance with statutory and regulatory requirements relating to use of funds, administrative costs, and state maintenance-of-effort requirements. Without the data captured by the ACF-196R and ACF-196 the agency's ability to monitor TANF grants would be compromised.

The ACF-196R form also includes a Part 2, which requires states to provide additional information regarding several general categories of spending (Assistance Authorized Solely Under Prior Law, Non-Assistance Authorized Solely Under Prior Law, and Other) and the methodology used to estimate any expenditure reported.

3. Use of Improved Information Technology and Burden Reduction

Under regulation (45 CFR 265.6) states are required to submit reports electronically reducing the burden.

The Online Data Collection System (OLDC) will allow states to access the ACF-196R Parts 1 and 2, and the ACF-196 associated with the appropriate fiscal year expenditures, as explained in the following:

1. ACF-196 R-Part 1: Actual Expenditures in a Fiscal Year

Effective FY 2015, a state will report *actual* transfers, expenditures, and unliquidated obligations (henceforth referred to as expenditures) made with each open grant year award during a fiscal year. In other words, each quarterly report will reflect expenditures cumulative through that quarter *for the fiscal year*, resulting in a fourth quarter report that reflects actual expenditures made with the grant year award funds for the fiscal year.

This form includes a detailed list of expenditure categories. A state must submit an ACF-196R for each open grant year award from which it expended during the quarter or fiscal year, or validate that it did not expend funds from an open grant year award during the quarter or fiscal year. Furthermore, beginning with FY 2015, revisions to any prior fiscal year data (federal and MOE) should be made to the ACF-196R with

the report quarter ending September 30th of the fiscal year where the correction is needed.

2. ACF-196 R-Part 2: Narrative Descriptions of Expenditures

Narratives will continue to be required for expenditures “authorized solely under prior law” and “other,” as well as information on the methodology used to estimate any expenditures. As it is currently structured, states submit this information in an addendum to the ACF-196 financial form. With the implementation of the ACF-196R, we will require this information in a second sheet that is clearer and easier to submit.

The narratives in Part 2 are associated with all expenditures made in a fiscal year, i.e., cumulative of all grant years. A state will be required to sign off on the corresponding narrative sheet, after providing the relevant information, or validating that it does not have any information required by Part 2 to report.

3. ACF-196: Spending by Grant Year through FY 2014

As explained above, we are maintaining the ACF-196 (Approved OMB No 0970-0247) for purposes of correcting historical data. For grant year (GY) awards issued prior to FY 2015, states will be able to access the most recent ACF-196 submitted in FY 2014, e.g., displaying each grant year’s expenditures and transfers cumulative through FY 2014. States will report adjustments and corrections to this data in the appropriate grant year’s ACF-196, as necessary.

4. Efforts to Identify Duplication and Use of Similar Information

ACF has identified no alternative sources of similar or duplicate information. While some of this information is collected in the Annual MOE Report (ACF-204), state plans, and the A-133 audit, these reports do not provide the complete data necessary to effectively monitor grants or obtain policy-relevant information. For example, the ACF-204 does not provide financial data or narrative information related to Federal TANF expenditures, and reconciling the information states report here with the MOE expenditures on ACF-196 has proven to be impossible. Furthermore, state plans do not contain any expenditure data, only descriptive information, and the A-133 audit provides fiscal compliance data (i.e., to reveal misuse of funds) two years after the period of support.

ACF would not be able to provide the necessary administrative oversight of the TANF program without quarterly financial data collection, and it will be able manage the program more efficiently with the approach described in this supporting statement.

5. Impact on Small Businesses or Other Small Entities

These requirements have no impact on small businesses or entities.

6. Consequences of Collecting the Information Less Frequently

The TANF statute requires quarterly financial reporting. Without it, ACF would be unable to exercise fiscal oversight in a responsible manner. The ACF-196R will provide estimates of funding needs and serves as a tool for the quarterly assessment of financial management not available elsewhere.

7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5

Not applicable.

8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency

ACF received 15 sets of comments in response to its Federal Register posting announcing proposed changes to the TANF financial data reporting, including six states and nine TANF interest groups.

Overall, general feedback was supportive and positive, particularly among welfare research and advocacy groups, as well as a few states. However, one state in particular, found the categories to be excessive. Furthermore, American Public Human Services Association (APHSA), which compiled feedback from a number of states, noted, “The majority of [state] respondents are hopeful that the new accounting process will be useful, but some are not convinced that the change will result in providing greater clarity on state expenditures.”

In order to address this concern, we carefully reviewed the comments we received related to the categories, particularly any recommendations for additional categories or subcategories, as well as specific language for definitions. In general, our approach was to accept recommendations that clarified proposed definitions or eased reporting, while avoiding additional subcategories that would be burdensome and/or do not measurably increase our insights about state spending. For example, in response to a comment indicating that subcategories under Work Supports (i.e., Transportation, Job Access, and Non-Transportation Work Supports) are not necessary because combined subcategories account for only 1.5 percent of TANF and MOE spending, we have moved “Job Access” to end of form after Total Expenditures (similar to “Transitional Services to the Employed”) and have only one category for Work Supports that includes transportation in the definition. We believe with these changes, we will obtain greater clarity on state expenditures, as the amount reported in the vague category of “Other” will be greatly reduced. And because any expenditures reported in this category must be accompanied by a narrative explanation, stakeholders will be able to receive an additional degree of detail on state expenditures.

Additionally, a few states expressed concern about our decision to combine assistance and non-assistance expenditures, and recommend that they be reported separately for purposes of calculating the Caseload Reduction Credit used to determine whether a state has achieved its required work participation rate. In response, we will provide guidance to states (distinct from ACF-196R instructions) explaining why separate reporting is not necessary for the Caseload Reduction Credit calculation, and that the ACF-196 has not been the appropriate form to acquire the data because the figure may have included adjustments to expenditures reported in previous years.

There were limited comments related to the new accounting methodology. TANF interest groups are supportive of the proposed accounting methodology, as it results in accurate fiscal year expenditure data; they also urge that we develop a clear system for documenting and disseminating revisions that are submitted. One state was concerned that this methodology forces states to adopt accounting on an accrual basis, which seems to rise out of confusion about what is meant by adjustments to prior year expenditures. We have revised the instructions to provide more detail on types of adjustments, and clarify that a state need not change its accounting method in order to comply with TANF financial reporting instructions.

We will work with states on opportunities for training and technical assistance they may need for implementing the proposed changes, clarifying how the new form and accounting methodology will yield accurate expenditure data.

Finally, we have increased our burden estimate, previously at 14 hours quarterly, to 32 hours quarterly, which is in line with the estimates states provided in their responses. The majority of state respondents to APHSA indicated that the initial investment of both time and money will be high due to the need for conducting staff training and making system changes, but believe over time, the needed hours and expenditures will not be overly burdensome. Non-state commenters noted any increase in burden is worth the benefits.

9. Explanation of Any Payment or Gift to Respondents

No payments and/or gifts will be provided to respondents.

10. Assurance of Confidentiality Provided to Respondents

The information collected is not confidential.

11. Justification for Sensitive Questions

None of the information requested from state agencies is of a sensitive nature.

12. Estimates of Annualized Burden Hours and Costs

ANNUAL BURDEN ESTIMATES

Instrument	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
ACF-196R	51	4	32	6528

Estimated Total Annual Burden Hours: 6528

For the 51 states and jurisdictions, revising the state TANF financial reporting requirement will result in a quarterly burden that, we estimate, will average 32 hours per response. This results in an average quarterly burden of 1632 hours, and an annual burden of 6528 hours.

The total staff cost of processing each quarterly report for all 51 states and jurisdictions is estimated at \$81,600.00, resulting in an annual cost of \$326,400.00. This is based on the estimate that preparation will take 32 state staff-hours at an average cost of \$50 per hour (including overhead, fringe benefits, etc.) times 51 respondents.

13. Estimates of Other Total Annual Cost Burden to Respondents and Record Keepers

There are no additional direct monetary costs.

14. Annualized Cost to the Federal Government

The annual federal costs associated with Regional and Central Office ACF staff reviewing and processing the state TANF financial reports is estimated to be \$40,800.00. This is based on the estimate that processing each of the 51 reports will require two federal staff-hours at an average cost of \$100 per hour (including overhead, fringe benefits, etc). The limited amount of photocopying of state plans and the limited use of the telephone for conference calls is already built into our general administrative expenses. This workload does not represent additional costs in those areas.

15. Explanation for Program Changes or Adjustments

There are no program changes; however, we are continuing the current form (ACF-196) and adding another form (ACF-196R) to the state TANF financial reporting requirement. This will increase the annual burden for all 51 respondents from 2,040, which is attributed to the completion of the ACF-196 only, to an estimated 6,528 hours to complete the ACF-196R and made necessary adjustments to data previously submitted on the ACF-196. The increase in burden is the result of two basic changes to TANF quarterly financial reports.

The first change is modifying and expanding the list of expenditure categories. The categories on the current ACF-196 have remained essentially unchanged since the report form was first developed. Over time, state spending on cash assistance has declined and states have used more of their TANF and MOE funds to support a broad array of services for children and families. Another shortcoming of the current categories is that they are not mutually exclusive. If reporting is not consistent across states, it is difficult to do accurate cross-state comparisons or trend analyses. In order to address these issues, OFA is proposing to revise the expenditure categories and accompanying definitions used in TANF financial data collection. Our aim is to eliminate ambiguity in definitions, create categories and definitions that are mutually exclusive, and gain greater insight into how states spend TANF and MOE funds.

The second primary change is to the accounting method used to report expenditures and monitor grant awards. Under the current approach, states report cumulative expenditures made with each grant year award. When a state discovers an error in prior reporting, it makes an adjustment in the current quarter's reporting, obscuring any distinction between actual expenditures in the fiscal year and upward or downward adjustments from prior years. As a result, it is impossible to determine the actual TANF expenditures that occur in a fiscal year. Our proposed solution is to revise the quarterly TANF financial reporting so that states will be required to report actual expenditures made in a fiscal year with each open grant year award. If a respondent needs to adjust an expenditure reported in a prior year, it will revise the report for the fiscal year in which that expenditure occurred, rather than account for that adjustment in the current year's report. Specifically, if a respondent needs to adjust an expenditure reported in a prior year after FY 2014, it will revise the ACF-196R pertaining to the fiscal year in which that expenditure occurred. If the adjustment is for an expenditure submitted in a fiscal year prior to FY 2015, the respondent will revise the ACF-196 pertaining to the relevant grant year for expenditures cumulative through FY 2014. While we require states to submit expenditure data on a quarterly basis (which is needed for program monitoring purposes), we will only maintain reports by fiscal year; in effect, a state will submit expenditures each quarter that are cumulative within the current fiscal year, culminating in a fiscal year report with the fourth quarter submission. To facilitate grants monitoring, the data collection system will generate a report displaying the cumulative expenditures made with each open grant year's award. The data collection system will also generate a report that sums actual expenditures made with each open grant year award during the fiscal year.

The following is a list of all changes:

- Addition of ACF-196R-Part 1, which includes a revised and expanded list of expenditure categories. The categories are no longer organized under "Assistance" and "Non-Assistance."

- Revision of the instructions so that they coincide with and define the new list of reporting categories on the ACF-196R.
- Addition of ACF-196R –Part 2, which requires narrative descriptions of some expenditure categories, as well as an explanation of the methodology used to estimate expenditures, as appropriate.
- Revision of the instructions so that they inform states how to report expenditures in accordance with the new accounting methodology (actual expenditures made in a fiscal year are required, rather than cumulative expenditures as of end of fiscal year).
- Revision of the instructions so that they inform how to submit adjustments and corrections to expenditures reported in FY 2015 and thereafter on the ACF-196R.
- Revision of the instructions so that they inform how to submit adjustments and corrections to expenditures reported prior to FY 2015 on the ACF-196.

16. Plans for Tabulation and Publication and Project Time Schedule

Section 411(b) of the Personal Responsibility and Work Opportunity Act of 1996 requires the Secretary to submit a report to Congress each year that includes expenditures under each state’s TANF program. ACF uses the information that is in the TANF financial reports as an important source of the information used to compile certain sections of this report. Financial data are also published on our web site at <http://www.acf.hhs.gov/programs/ofa/programs/tanf/data-reports>

17. Reason(s) Display of OMB Expiration Date is Inappropriate

We will display the new OMB approval expiration date on the ACF-196R.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to the certification statement in Item 19 of Form OMB 83-I.

B. Collections of Information Employing Statistical Methods

Statistical methods are not applicable to this information collection.