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**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)**

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**State Project/Program: WORK FIRST PROGRAM**

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**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ADMINISTRATION FOR CHILDREN AND FAMILIES**

**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). The Final Rule was published in the Federal Register on February 5, 2008 at 73 Fed. Reg. 6772 and was effective October 1, 2008. TANF is subject to the A-102 Common Rule and OMB Uniform Guidance. This authorization 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**

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**Agency Contact Person**

David Locklear  
NC DSS Deputy Director  
Economic and Family Services  
(919) 527-6311  
[David.Locklear@dhhs.nc.gov](mailto:David.Locklear@dhhs.nc.gov)

**Agency Contact Person**

Lisa Cauley  
NC DSS Deputy Director  
Child Welfare  
(919) 527-6401  
[Lisa.Cauley@dhhs.nc.gov](mailto:Lisa.Cauley@dhhs.nc.gov)

**Agency Contact Person – Financial**

Kim Goodwin  
Fiscal Compliance Monitor  
(919) 628-8268  
[Kimberly.Goodwin@dhhs.nc.gov](mailto:Kimberly.Goodwin@dhhs.nc.gov)

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

SFY 2019 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHHS Grant Subrecipients will be available by mid-October at the following web address:  
<https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports>. At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2018-2019)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2017-2019)”

## **WORK FIRST PROGRAM**

**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.**

This compliance supplement should be used in conjunction with the OMB 2019 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

Temporary Assistance for Needy Families / Work First is a split-eligibility program and the benefit payments are not to be reported on the Schedule of Expenditures of Federal and State Awards (refer to IV. Other Information below). The responsibility of the auditor of the State for auditing eligibility does not relieve the auditor of the other entity (e.g., County) from responsibility for meeting those internal control and compliance audit objectives for eligibility that apply to the other entity’s responsibilities. An exception occurs when the auditor of the other entity confirms with the auditor of the State that certain procedures are not necessary (OMB Compliance Supplement, Part 3, E. Eligibility, Split Eligibility Determination Functions).

### **I. TANF PROGRAM OBJECTIVES**

The Work First Program in North Carolina promotes a strengths-based, family-centered practice approach. The Work First Program shares in the mission of the Division of Social Services “to provide family-centered services to children and families to achieve wellbeing through ensuring self-sufficiency, support, safety, and permanence.” Work First provides parents with short-term training and other services to help them become employed and move toward self-sufficiency. Children that are being cared for by relatives are able to receive services and support that could prevent children from entering the foster care system.

In accordance with federal law, TANF funds, as well as Maintenance of Effort (MOE) funds must meet one of four purposes. The four purposes under TANF are:

1. Assist needy families so that children may be cared for in their own homes or in the homes of relatives.
2. End dependence of needy parents by promoting job preparation, work, and/or marriage.
3. Prevent or reduce the incidence of out-of-wedlock pregnancies.
4. 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. ACF approved North Carolina’s TANF State Plan for FY October 1, 2016 – September 30, 2019.

## **WORK FIRST PROGRAM**

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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. After publication of the Final Rule in February 2008, the State revised its Work Verification Plan. That revised plan was approved in September 2008 and was effective October 1, 2008. The revised Work Verification Plan can be found at the NCDHHS/DSS web site:

[http://www2.ncdhhs.gov/dss/workfirst/docs/work\\_verification\\_plan\\_2008.pdf](http://www2.ncdhhs.gov/dss/workfirst/docs/work_verification_plan_2008.pdf).

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 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. Eligible tribal members may receive cash assistance through the department of social services in the county in which they live or through Tribal TANF.

Effective October 1, 2012, the Eastern Band of Cherokee Indians (EBCI) received approval to operate a Tribal TANF plan by the United States Department of Health and Human Services Administration for Children and Families. The EBCI TANF Tribal plan provides for the intake, eligibility determination, cash assistance, employment services, and case management for tribal families. The Eastern Band of Cherokee Indians continues to operate a pre-existing Native Employment Worker (NEW) program. Therefore, North Carolina does not include these individuals in the State's federal work participation rate.

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 administrative activities. Along with the discretion provided to the states, a number of provisions also exist 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. The Final Rules for the Deficit Reduction Act were issued by the federal government on February 5, 2008, to be effective October 1, 2008. The Final Rule included definitions of Work Eligible Individuals who are subject to being counted in the Work Participation Rates. Federally countable work activities were also defined in the Final Rule. In addition, states were required to submit and have approved a Work Verification Plan that would ensure that states had in place specific internal controls to ensure that the requirements of the Final Rule and the statutory requirements from the Deficit Reduction Act are met.

Work First is a State supervised and county administered public assistance program in North Carolina. North Carolina has passed along to all 100 counties the flexibility necessary to allow employment and child welfare programs to be designed to meet county needs. Seven counties have been designated as "electing" counties by the N.C. General Assembly: Beaufort, Caldwell, Catawba, 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. These county departments of social services must maintain their county plan. Electing counties can amend their county plans by submitting a plan amendment. Each electing county plan amendment must be approved by the Board of County Commissioners prior to submission to the NC

## **WORK FIRST PROGRAM**

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DHHS/Division of Social Services. Each electing county plan and plan amendment is also submitted to the Division and maintained in that office. All Standard counties must follow Work First policy as written in the [Work First Policy Manual](#) and the [Integrated Eligibility Manual](#). Every three years the Division will notify Electing Counties when the triennial planning process will begin and issue detailed guidance and deadlines for submitting certain requirements as necessary. Standard counties will be required to maintain required protocols and service provision policies on file at the local county department of social services.

North Carolina grants TANF funds to the counties as a part of the Work First County Block Grant (WFCBG), which is also comprised of county funds. The county funds are required MOE funds that must be spent 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 at or below 200% of the poverty level, counties generally use the TANF funds in their WFCBG for child welfare activities, including foster care payments. Services provided under the third and fourth purposes of TANF using MOE funds may be provided without regard to income if the expenditures are pro-family. All other services provided for the purposes of using MOE funds are subject to incomes at or below 200% of the federal poverty level.

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 board payments are reported and reimbursed through the Child Placement and Payment System. All other administrative and program costs are submitted on the DSS-1571 report under Parts I, II and/or IV. TANF and MOE expenditures are charged 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). Counties use this block grant to fund all Work First services. County WFCBG's are comprised of only federal and county funds.

Electing counties operate under the same criteria as standard counties with regards to how the funds within the block grant may be utilized. An electing county's MOE is automatically reduced to 90%. 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.

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 Child Development and Early Education, and the Division of Public Health.

Families must apply for Work First assistance in the county in which they live. The county department of social services is responsible for ensuring that only eligible families are approved for Work First using the requirements outlined in the Work First and Integrated Eligibility Manuals and their county plan. Work First cash assistance applications are to be completed within 45 days from the date of application unless the applicant causes the delay. The application document for Work First is in the North Carolina Families Accessing Services through Technology (NC FAST) automated case management system.

In June 2013, North Carolina began the initial implementation of the North Carolina Families Accessing Services through Technology (NC FAST) automated case management system for Work

## **WORK FIRST PROGRAM**

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First. As of January 2014, the Work First program was fully operationalized in the NC FAST system. All other required Work First Program forms are located at:

<https://www2.ncdhhs.gov/info/olm/forms/dss/>.

The Division of Social Services sends instructions and policy to county departments of social services via DSS Administrative Letters, revisions to the Work First and Integrated Eligibility Manuals, Family Services Manual and Services Information System Manual, terminal messages, and other letters or correspondence with county departments. Program changes with implementation dates are noted in the Eligibility section below. In addition, the TANF State Plan can be found at the Division of Social Services website at NC DHHS:

[https://www2.ncdhhs.gov/dss/workfirst/docs/NC%20TANF%20STATE%20PLAN\\_2016-19.pdf](https://www2.ncdhhs.gov/dss/workfirst/docs/NC%20TANF%20STATE%20PLAN_2016-19.pdf).

Funds may be used in any manner reasonably calculated to achieve the purposes of the program (as specified in 42 USC 601). Work First subrecipients are monitored by the NC Division of Social Services (DSS) program and fiscal staff in accordance to the NC Local County Social Service Agencies Monitoring Plan, found at the NC DHHS DSS Website:

[NC Local County Social Service Agencies Monitoring Plan](#).

### **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 support the safety and well-being of families and children.
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)).

## **WORK FIRST PROGRAM**

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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 to provide child care for TANF eligible participants.

### **TEA: Child Welfare**

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

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

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 room, board, supervision, personal incidentals, special transportation needs and clothing for foster children placed in a licensed 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.

Foster care board payments may be provided to an individual over the age of eighteen who has signed a Contractual Agreement for Residential Services (CARS) or a Voluntary Placement Agreement (VPA). The client must be 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. Payment can continue until the client turns twenty-one. This information is available in the individual's case record.

## **WORK FIRST PROGRAM**

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Please refer to Service Information System Manual for a listing of the services allowable under this program.

### **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> 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.

### **E. ELIGIBILITY**

In general, services provided under the first and second purposes of TANF, using TANF funds, and any of the purposes 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 purposes of TANF, using MOE funds, may be provided without regard to income if the expenditures are pro-family. All other services provided for the purposes of using MOE funds are subject to incomes at or below 200% of the federal poverty level. Services may be provided to families or children who are experiencing an emergency as defined in the TANF State plan and who do not have sufficient resources to alleviate the emergency.

### **Work First:**

Unless otherwise noted, the basic eligibility rules for Work First described below apply to standard counties. Electing counties may set different eligibility requirements. Those requirements are in the county's plan. Each electing county is required to maintain its county plan. Electing county plans are also housed at the Division of Social Services. Standard Counties are required to follow Work First Policy as written in the Work First manual.

1. All parents and caretakers must sign the Mutual Responsibility Agreement Core Requirements to become and remain eligible for Work First. Work Eligible Individuals must also sign the Mutual Responsibility Agreement Plan of Action also known as an Outcome Plan.
2. Children may receive benefits through the month they turn age 18. Children age 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 Supplemental Security Income (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 in the case.
5. Undocumented immigrants are not eligible to receive Work First. However, Work First may be provided to citizens and qualified 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 also applies to electing counties.

## **WORK FIRST PROGRAM**

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6. A family cap is applied when a child is born 10 months after a month in which a parent received cash assistance. This application means that, with some exceptions, a family's Work First Family Assistance payment will not increase.
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 age 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 limit means that a family is not eligible for Work First cash assistance if it contains an adult who has received Work First cash 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 they received assistance in a state that began their TANF Program prior to January 1997. Electing counties may set a lower lifetime limit but cannot exceed the 60-month lifetime limit.
9. The TANF State Plan provides for a 60-month lifetime limit of assistance in North Carolina, for custodial parents who receive Work First cash assistance for their children. Parents who receive SSI are excluded from this policy.
10. 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.
11. 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 requirement applies to electing counties also.
12. 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 cash assistance, unless the child is absent with good cause. Good cause includes absences for medical treatment, substance use 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.

13. The adult must report the child's absence within five days of knowing the absence will 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 requirement also applies to electing counties. However, an electing county may set a different period of ineligibility and may set a different period of expected absence that must be exceeded prior to reporting to the county.

## **WORK FIRST PROGRAM**

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14. An individual, who is convicted of misrepresenting his/her residence in order to receive Work First (TANF in other states), Medicaid, SSI, or Food and Nutrition Services benefits 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. This requirement applies to electing counties also.
15. Incarcerated or institutionalized individuals are not eligible for Work First cash assistance. This ineligibility requirement also applies to electing counties.
16. The family's countable assets cannot exceed \$3,000. Countable assets are defined in Work First policy.
17. 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. However, the payment calculation must use the Need Standard. The Need Standard can be found in the Work First Manual.
18. For the month of application, Work First cash 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.
19. Some families, who meet other Work First criteria and who are facing a specific crisis or episode of need, usually related to employment, may be offered Benefit Diversion in lieu of ongoing 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 may also receive Medicaid, Food and Nutrition Services benefits and childcare assistance, if eligible. It is the county's option to provide Benefit Diversion.
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 ineligibility requirement also applies to electing counties.
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 requirement 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:
  - a) 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**
  - b) The individual has successfully completed or has continuously participated in a required substance abuse treatment program determined appropriate by the Local Management Entity/ Managed Care Organization or its designee.

This requirement also applies to electing counties.

22. Each adult applicant for or recipient of Work First, including custodial parents who receive Work First for their children, are subject to substance use screening and testing for the illegal use of controlled substances, if there is reasonable suspicion, as a condition of eligibility to receive assistance. Individuals who receive SSI and non-parent caretakers are excluded from this requirement.

This requirement also applies to electing counties.

## **WORK FIRST PROGRAM**

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23. For a family to be eligible for Work First cash assistance, the family must assign to the State the rights the family member may have for child support from any other person. This requirement also applies to electing counties.

24. Most families who are eligible for Work First cash assistance are eligible for Employment Services and other appropriate services. These services can be found in [Section 118](#) of the Work First Manual.

Parents receiving Work First cash assistance are subject to the federal work requirements and are considered “Work Eligible Individuals”. 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 Policy Manual.

Work First families with a parent included in the assistance payment are subject to the Work First Benefits (WFB) payment process, rather than the traditional Work First cash assistance payment process. Child-only cases will continue in the traditional Work First cash assistance payment process, receiving their payment at the beginning of the benefit month.

Families in WFB status will receive their assistance payments after the end of the benefit month. To qualify for the payment, the parent must provide documentation showing that he/she has complied with the requirements of his/her Mutual Responsibility Agreement (MRA) including both the Core Requirements and Plan of Action/ Outcome Plan Requirements or show good cause for not complying.

When parents do not comply with their MRA and/or Outcome Plan during a month, their cash benefits will not be released for that month and they will not count in the Work Participation Rate. Any month in which a participant does not receive Work First Benefits will not count against the participant’s 24- or 60-month time limits. If the parent has good cause for failing to meet their required hours of work activities or for not complying with other MRA/ Outcome Plan requirements, their cash benefits will be released.

Detailed requirements for Work First eligibility are outlined in the TANF 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 <https://www2.ncdhhs.gov/info/olm/manuals/dss/>.

Each county is required to operate an emergency assistance program. Each electing county plan and standard county protocols must indicate the eligibility requirements and benefit levels set by the county for meeting families’ emergency needs for 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 in the home 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 and resource limit as for Work First cash assistance.

Each county is required to provide services to eligible families at or below 200% of poverty. It is the county’s option to 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 or agency protocols the types of services to be provided. See [Section 102](#) of the Work First Policy Manual for more details.

### **TEA: Child Welfare**

There are four eligibility requirements for TEA that must be documented in the recipient’s case record and on the DSS-5120. These eligibility requirements are:

- Legal responsibility must be established for the local DSS agency.

## **WORK FIRST PROGRAM**

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- 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 (FPL)), citizenship requirements (workers usually check with their Work First staff to determine this information), 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.

## **WORK FIRST PROGRAM**

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### **1. Child Support Non-Cooperation**

**Compliance Requirement** – If the State or county agency responsible for administering the TANF 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 (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. Once non-cooperation is reported, the entire case will be ineligible for a Work First cash assistance payment for one month or until compliance, whichever is later. This ineligibility requirement means a family will not receive a payment until 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**

- a. Review the county's operating procedures and policies concerning this requirement. Ensure an electing county's county plan requires at least a 25% reduction in benefits.
- b. 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 NC FAST automated system and the Work First Manual as follows:

- NC FAST Job Aids; Online Verifications, Requesting and Viewing Online Data OVS and Viewing OVS Results provide instructions for accessing federal benefits, wage information and unemployment benefits information through the Online Verification System.
- NC FAST Job Aids; Adding Editing SSN and Preventing, Duplicates, Capturing Client SSN in Application and Completing a Person Merge contain instructions for enumeration and validation of social security numbers. In addition, the enumeration requirements are contained in Section 110 of the Work First Manual.
- Work First Manual Section 111 and Administrative Letter, EFS\_WF\_AL-3-2018 contain instructions for verification/information for the Immigration and Naturalization Service. In addition, the NC FAST Job Aid, Online Verifications, provides immigration information needed for SAVE inquiries.

#### **Suggested Audit Procedures:**

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

- a. Used the IEVS to determine eligibility in accordance with the TANF State Plan.
- b. Requested and obtained the data from the Internal Revenue Service, the Statewide Information Collection Agency, OVS, the Social Security Administration, and the

## **WORK FIRST PROGRAM**

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Immigration and Naturalization Service, as appropriate, and performed the required data matching.

- c. Properly considered the information obtained from the data matching in determining the amount of Work First cash assistance 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 county department of social services 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 childcare is made by the county agency. (42 USC 607(e) (2) and 42 USC 609(a) (11)).

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

**Suggested Audit Procedures:**

- a. Gain an understanding of the criteria established by the county agency to determine benefits for an adult single custodial parent who refused to work because of inability to obtain childcare for a child who is under the age of six.
- b. 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.
- c. Ascertain if the benefits were improperly reduced or terminated because of inability obtain childcare.

### **4. Work First Claim Information**

The Enterprise Program Integrity Control System (EPICS) is available to all counties to track claims for overpayments in the Work First Program. The county must maintain adequate documentation to substantiate the overpayment for all cases. In December 2018 and throughout 2019 counties will begin the conversion of Enterprise Program Integrity functionality to NC FAST for program integrity. Counties who convert to NC FAST will utilize that system to track claims for overpayments in the Work First Program

**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 or older who has not completed high school (or

## **WORK FIRST PROGRAM**

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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). Counties are expected to complete the DSS-5298, North Carolina's Work First Family Assessment of Strengths and Needs, by the third month of the case being opened for employment services. The ongoing assessment process as outlined in [Section 117](#) will continue throughout the life of the employment case, and the DSS-5298 should be reviewed and/or updated at least every three months in coordination with the quarterly update to the Mutual Responsibility Agreement-Plan of Action/ Outcome Plan.

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 individual is assigned a Work Eligible indicator that identifies whether the individual is a mandatory participant for Work First Employment Services. The Work Eligible status and the definitions are listed in [Section 103](#) of the Work First Manual. The NC FAST Case Management system also contains Work Eligible data. Each county maintains the manual, or it is accessible via the internet.

**Audit Objective** – Determine whether the county agency has, within the appropriate timeframe, assessed 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:**

- a. Review the counties operating procedures concerning this requirement.
- b. Test a sample of Work First cases to ascertain if the correct Work Eligible status was assigned in the NC FAST automated case management system 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 March 1, 2010, Work First Sanctions changed due to changes in the TANF State Plan. Any family that includes an adult who has quit a job without good cause, or has been fired from a job with cause, is ineligible for Work First payments the month of the job quit or firing and the two months immediately following. Families who receive traditional Work First cash assistance are subject to sanctions when they fail, without good cause, to comply with program requirements. 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**

- a. Review the county's operating procedures and policies concerning this requirement.
- b. 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.

## **7. Penalty for Failure to Comply with Work Verification Plan**

## **WORK FIRST PROGRAM**

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**Compliance Requirement** – The State and county agencies must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. Each State and county agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. 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 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65).

**Audit Objective** – Determine whether the State agency is complying with its Work Verification Plan, including adequate documentation, verification, and internal control procedures.

### **Suggested Audit Procedures**

1. Review the State’s Work Verification Plan and operating procedures concerning this requirement.
2. Test a sample of TANF cases that have been reported to HHS under 45 CFR section 265.3(b)(1) and ascertain if the work participation rate data have been documented, verified, and reported in accordance with the state’s Work Verification Plan.

## **G. MATCHING, LEVEL OF EFFORT, EARMARKING**

In addition to the federally required level of effort, state law establishes a second MOE 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 MOE 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 effort is reported via Report WC373 from the NC DHHS Office of the Controller based on information provided on the DSS-1571.

## **I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

### **Procurement**

The NC 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) NC General Statute 143, Articles 3 and 3C, (2) the NC 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 NC General Statute 143, Article 8 with respect to procurement activities.

Grantees should follow the Uniform Guidance procurement requirements found in Title 2 Part 2 of the Code of Federal Regulations, §200.318 to §200.326 ([2 CFR Part 200 Uniform Guidance](#)) unless the NC State procurement requirements described in the North Carolina General Statutes and the

## **WORK FIRST PROGRAM**

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North Carolina Administrative Code are more restrictive. Please refer to the North Carolina Agency Purchasing Manual accessible at: [NC Agency Purchasing Manual](#).

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/>

Access via the google chrome internet browser:

<https://sam.gov/SAM/> . .

## **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. This requirement is a state level requirement that has not been passed to the subrecipients; therefore, testing is not required.

## **M. SUBRECIPIENT MONITORING**

### **Compliance Requirements**

County departments of social services frequently contract for the provision allowable services. Local agencies are responsible for the following (NC FAST protocols and automated rules system, 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; and
- requiring contractors to take prompt corrective action where areas of non-compliance are found.