

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**OHIO PROPERLY OBLIGATED  
AND LIQUIDATED TARGETED FUNDS  
UNDER THE CHILD CARE AND  
DEVELOPMENT FUND PROGRAM**

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# *Office of Inspector General*

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## INTRODUCTION

*Ohio properly obligated and liquidated targeted Child Care and Development Funds.*

### WHY WE DID THIS REVIEW

The Child Care and Development Fund (CCDF) provides discretionary funding for three targeted funds known as Infant and Toddler, Quality Expansion, and School Age Resource and Referral funds. These targeted funds are used for activities that improve the availability, quality, and affordability of childcare and to support the administration of these activities. At the Federal level, the U.S. Department of Health and Human Services, Administration for Children and Families (ACF) administers the funds, which are 100 percent federally funded. Previous Office of Inspector General reviews found that one State did not always comply with Federal requirements when claiming targeted funds for reimbursement.<sup>1</sup> Therefore, we have expanded our review of these targeted funds to Ohio.

### OBJECTIVE

The objective of this review was to determine whether the Ohio Department of Job and Family Services (State agency) complied with Federal requirements for the use of CCDF targeted funds for Federal reimbursement for Federal fiscal years (FY) 2007 through 2009.

### BACKGROUND

Under the CCDF program, States have considerable latitude in implementing and administering their childcare programs. Each State must develop and submit a State plan to ACF for approval that identifies the purposes for which CCDF funds will be expended for two grant periods (i.e., 2 FYs). Program requirements state that a State agency has 2 FYs to obligate CCDF funds and a third FY to liquidate those funds. The following table shows the obligation and liquidation periods for each FY covered by our review.

**Table 1: Obligation and Liquidation Periods**

<b>FY</b>	<b>Obligation Period Start Date</b>	<b>Obligation Period End Date</b>	<b>Liquidation Period End Date</b>
2007	10/1/2006	9/30/2008	9/30/2009
2008	10/1/2007	9/30/2009	9/30/2010
2009	10/1/2008	9/30/2010	9/30/2011

<sup>1</sup> *Review of Unexpended Infant and Toddler Targeted Funds and Quality Targeted Funds Claimed by the Iowa Department of Human Services for Fiscal Years 1998–2003* (A-07-07-00231, issued August 21, 2008); *Iowa Improperly Claimed Some Child Care and Development Targeted Funds* (A-07-11-03163, issued March 28, 2012).

The State plan must also designate a lead agency responsible for administering childcare programs. In addition, States are required to report expenditures of targeted funds on the quarterly Child Care and Development ACF-696 Financial Report (ACF-696 report), which is a cumulative report for the FY.

As the lead agency in Ohio, the State agency must oversee the expenditure of funds by contractors, grantees, and other agencies of the State government, to ensure that the funds are expended in accordance with Federal requirements. The State agency entered into contracts with these entities that would expend the funds; for each such contract, the funds were considered obligated with the execution (that is, the signing) of the contract.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed \$23,878,827<sup>2</sup> of the \$37,952,285 of targeted fund expenditures claimed by the State agency for FYs 2007 through 2009.<sup>3</sup> We did not perform a detailed review of the State agency's internal controls because our objective did not require us to do so. We limited our review to the controls related to the obligation and liquidation of the targeted funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology, and Appendix B contains details on the Federal requirements related to CCDF targeted funds.

We conducted fieldwork at the State agency in Columbus, Ohio, from June 2012, through February 2013.

## **RESULTS OF REVIEW**

Of the \$23,878,827 of CCDF targeted funds that we reviewed, the State agency complied with Federal requirements for the obligation and liquidation of the full amount of the targeted funds for FYs 2007 through 2009. Accordingly, this report contains no recommendations.

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<sup>2</sup> We did not perform a detailed review of the remaining \$14,073,458 of the CCDF targeted funds that were associated with indirect cost pools and county expenditures. We will be performing a separate review of the indirect cost pools.

<sup>3</sup> The 3-year obligation and liquidation cycle described above creates an inherent delay in terms of when those funds can be regarded as closed for adjustment and then subject to audit.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed \$23,878,827<sup>4</sup> of the \$37,952,285 of targeted fund expenditures claimed by the State agency for FYs 2007 through 2009. We did not perform a detailed review of the State agency's internal controls because our objective did not require us to do so. We limited our review to the controls related to the obligation and liquidation of the targeted funds.

We conducted fieldwork at the State agency in Columbus, Ohio, from June 2012, through February 2013.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and program guidance, as well as State laws and the approved Ohio CCDF State plans;
- reviewed the ACF-696 reports for FYs 2007 through 2009 to determine the amount of targeted funds that the State agency claimed;
- interviewed State agency staff responsible for preparing the ACF-696 reports to obtain an understanding of how the reports were prepared, how the targeted funds were reported, and what documentation was maintained to support expenditures on the reports;
- reconciled all CCDF targeted fund expenditures claimed on the ACF-696 reports to the State agency's documentation used to prepare the reports;
- reviewed the State agency's contracts with contractors, grantees, and other agencies of the Ohio State government to determine the dates on which the contracts were signed in relation to the obligation requirements of the targeted funds for FYs 2007 through 2009;
- reviewed the State agency's payment dates to contractors, grantees, and other agencies of the Ohio State government in relation to liquidation requirements of the targeted funds for FYs 2007 through 2009;
- reviewed documentation for 100 randomly selected targeted fund disbursements submitted by contractors to the State agency in support of the expenditure of targeted funds; and

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<sup>4</sup> We did not perform a detailed review of the remaining \$14,073,458 of the CCDF targeted funds that were associated with indirect cost pools and county expenditures. We will be performing a separate review of the indirect cost pools.

- discussed the results of our review with State agency officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **APPENDIX B: FEDERAL REQUIREMENTS RELATED TO CHILD CARE AND DEVELOPMENT FUND TARGETED FUNDS**

### **FUND OBLIGATION REGULATIONS**

Federal regulations (45 CFR § 98.60(d)(1)) state: “Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.”

Federal regulations (45 CFR § 98.60(d)(7)) state that “[a]ny funds not obligated during the obligation period specified in paragraph (d) of this section will revert to the Federal government. Any funds not liquidated by the end of the applicable liquidation period specified in paragraph (d) of this section will also revert to the Federal government.”

### **ACTIVITY REGULATIONS**

Federal regulations (45 CFR § 98.16(h)) require that the approved CCDF State plan include “[a] description of the activities to provide comprehensive consumer education, to increase parental choice, and to improve the quality and availability of child care, pursuant to [45 CFR] § 98.51.”

Federal regulations (45 CFR §§ 98.51(a) and (b)) require that no less than 4 percent of the aggregate funds be spent on activities to improve the quality of childcare and that the Lead Agency describe in the CCDF State plan the activities it will fund under the quality activities (which includes the targeted funds).