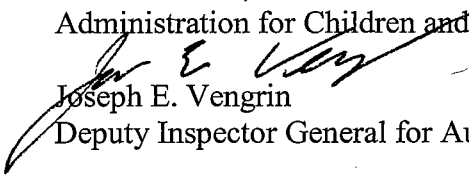




MAR 23 2006

TO: Joan E. Ohl
Commissioner, Administration for Children, Youth and Families
Administration for Children and Families

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of Aid to Families With Dependent Children Overpayments in
Connecticut for the Period April 2001 Through March 2005 (A-01-05-02501)

Attached is an advance copy of our final report on Aid to Families with Dependent Children (AFDC) overpayments in Connecticut for the period April 2001 through March 2005. We will issue this report to Connecticut within 5 business days.

Our objective was to determine whether Connecticut has continued to reimburse the Federal Government for its share of collected AFDC overpayments in a timely manner.

Connecticut reimbursed the Federal share of AFDC collections for 15 of the 16 quarters that we reviewed. It did not reimburse the Federal share of AFDC collections for one quarter in a timely manner. This problem occurred because Connecticut's internal controls did not include verifying whether checks refunding the Federal share of AFDC overpayments were received or cashed.

We recommend that Connecticut strengthen its internal controls to verify that the Federal Government receives its share of future AFDC collections.

In its written comments on our draft report, Connecticut agreed to renew efforts to verify that the Federal Government receives and cashes checks from the State.

If you have any questions or comments about this report, please do not hesitate to contact me, or your staff may contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1175 or Michael J. Armstrong, Regional Inspector General for Audit Services, Region I, at (617) 565-2689. Please refer to report number A-01-05-02501.

Attachment



MAR 27 2006

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

Report Number: A-01-05-02501

Ms. Patricia Wilson-Coker
Commissioner, Department of Social Services
25 Sigourney Street
Hartford, Connecticut 06106

Dear Ms. Wilson-Coker:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Aid to Families With Dependent Children Overpayments in Connecticut for the Period April 2001 Through March 2005." A copy of this report will be forwarded to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

If you have any questions or comments about this report, please do not hesitate to contact me at (617) 565-2689 or through e-mail at Michael.Armstrong@oig.hhs.gov. Please refer to report number A-01-05-02501 in all correspondence.

Sincerely yours,

A handwritten signature in black ink that reads "Michael J. Armstrong".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Mr. Hugh Galligan
Regional Administrator
Administration for Children and Families
U.S. Department of Health and Human Services
John F. Kennedy Federal Building, Room 2000
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF AID TO FAMILIES WITH
DEPENDENT CHILDREN
OVERPAYMENTS IN CONNECTICUT
FOR THE PERIOD APRIL 2001
THROUGH MARCH 2005**



**Daniel R. Levinson
Inspector General**

**MARCH 2006
A-01-05-02501**

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts management and program evaluations (called inspections) that focus on issues of concern to HHS, Congress, and the public. The findings and recommendations contained in the inspections generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs. OEI also oversees State Medicaid Fraud Control Units which investigate and prosecute fraud and patient abuse in the Medicaid program.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

BACKGROUND

Title IV-A of the Social Security Act established the Aid to Families with Dependent Children (AFDC) program to help low-income families care for their dependent children. In 1996, the Temporary Assistance for Needy Families (TANF) program replaced the AFDC program. The Administration for Children and Families (ACF) funded and administered AFDC and now funds and administers TANF. Overpayments occurred under AFDC when recipients received amounts to which they were not entitled.

Although TANF has replaced AFDC, Federal regulations require States to pursue and recover AFDC overpayments so long as outstanding overpayments remain. States are also required to return the Federal share of the recovered overpayments to ACF. Federal guidance issued in March 1999 and again in September 2000 requires States to repay the Federal share of collected AFDC overpayments.

OBJECTIVE

Our objective was to determine whether Connecticut has continued to reimburse the Federal Government for its share of collected AFDC overpayments in a timely manner.

SUMMARY OF FINDING

Connecticut reimbursed the Federal share of AFDC collections for 15 of the 16 quarters that we reviewed. It did not reimburse the Federal share of AFDC collections for one quarter in a timely manner. This problem occurred because Connecticut's internal controls did not include verifying whether checks refunding the Federal share of AFDC overpayments were received or cashed.

Based on our audit, Connecticut resubmitted a check for \$1,206,389 to ACF on June 30, 2005, to fully reimburse the Federal share of AFDC collections.

RECOMMENDATION

We recommend that Connecticut strengthen its internal controls to verify that the Federal Government receives its share of future AFDC collections.

AUDITEE'S COMMENTS

In its February 24, 2006, written comments on our draft report, Connecticut agreed to renew efforts to verify that the Federal Government receives and cashes checks from the State. (See appendix.)

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTION | 1 |
| BACKGROUND | 1 |
| The Aid to Families With Dependent Children Program | 1 |
| Federal Reimbursement for Overpayments | 1 |
| OBJECTIVE, SCOPE, AND METHODOLOGY | 1 |
| Objective | 1 |
| Scope..... | 1 |
| Methodology | 2 |
| FINDING AND RECOMMENDATION | 2 |
| FEDERAL REQUIREMENTS | 2 |
| MISSING REIMBURSEMENT FOR ONE QUARTER | 3 |
| RECOMMENDATION | 3 |
| AUDITEE’S COMMENTS | 3 |
| APPENDIX | |
| AUDITEE’S COMMENTS | |

INTRODUCTION

BACKGROUND

The Aid to Families With Dependent Children Program

Title IV-A of the Social Security Act established the Aid to Families with Dependent Children (AFDC) program to help low-income families care for their dependent children. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act replaced the AFDC program with the Temporary Assistance for Needy Families (TANF) program. States were required to implement TANF by July 1, 1997.

The Administration for Children and Families (ACF) funded and administered AFDC and now funds and administers TANF. Under AFDC, States received from the Federal Government at least half of the costs incurred for recipients meeting eligibility requirements. Overpayments occurred when recipients received amounts to which they were not entitled.

Federal Reimbursement for Overpayments

Although TANF has replaced AFDC, Federal regulations require States to pursue and recover AFDC overpayments so long as outstanding overpayments remain. The AFDC recoveries should be made by reducing TANF benefits paid to recipients or by collecting cash payments.

States are also required to return the Federal share of the recovered overpayments to ACF. Federal guidance issued in March 1999 and again in September 2000 requires States to repay the Federal share of collected AFDC overpayments.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Connecticut has continued to reimburse the Federal Government for its share of collected AFDC overpayments in a timely manner.

Scope

Our review covered AFDC overpayments that Connecticut collected for the period April 1, 2001, through March 31, 2005. We limited our review of internal controls to obtaining an understanding of the process that Connecticut used to identify and collect AFDC overpayments.

We performed our fieldwork from May through October 2005 in Hartford, CT, and at the Region I ACF office in Boston, MA.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, policies, and procedures pertaining to both AFDC and TANF;
- interviewed Federal and State program officials;
- tested the State's internal controls for monitoring the collections process by reviewing both the computerized collections system and the procedures used to implement this system;
- reviewed the amount that Connecticut identified as the Federal share of AFDC overpayment collections;
- randomly selected 60 AFDC and TANF transactions to determine whether the amount that the State had identified as the Federal share of reimbursements was reasonable; and
- reviewed canceled checks for reimbursements to verify that the Federal Government had received its share of the AFDC overpayments.

We conducted our audit in accordance with generally accepted government auditing standards.

FINDING AND RECOMMENDATION

Connecticut reimbursed the Federal share of AFDC collections for 15 of the 16 quarters that we reviewed. It did not reimburse the Federal share of AFDC collections for one quarter in a timely manner. This problem occurred because Connecticut's internal controls did not include verifying whether checks refunding the Federal share of AFDC overpayments were received or cashed.

FEDERAL REQUIREMENTS

Title 45 of the Code of Federal Regulations, section 233.20, requires States to continue efforts to recover overpayments made under AFDC until the full amount has been recovered.

An ACF program instruction, transmittal number TANF-ACF-PI-2000-2, dated September 1, 2000, states: "For recoveries of former AFDC program overpayments made before October 1, 1996, States are required to repay to the Federal Government the Federal share of these recoveries Checks should be submitted to ACF no less frequently than quarterly."

MISSING REIMBURSEMENT FOR ONE QUARTER

Connecticut reimbursed the Federal Government for its share of the AFDC collections for 15 of the 16 quarters that we reviewed. During our review, Connecticut officials informed us that they submitted a check to the Federal Government in June 2002 for the quarter ending March 31, 2002. However, the State could not provide support in the form of a canceled check for this \$1,206,389 payment.

Connecticut identified \$19,388,734 as the Federal share of AFDC collections during our audit period.¹ To verify the accuracy of this amount, we randomly selected and reviewed 60 AFDC and TANF collection transactions and found no errors. However, when we reconciled the amount that the State had collected with the amount that it had reimbursed to the Federal Government, we confirmed that the original check in the amount of \$1,206,389 payable to the Federal Government had not yet been cashed. This problem occurred because Connecticut's internal controls did not include verifying whether checks refunding the Federal share of AFDC overpayments were received or cashed.

Based on our audit, Connecticut resubmitted a check for \$1,206,389 to ACF on June 30, 2005, to fully reimburse the Federal share of AFDC collections.

RECOMMENDATION

We recommend that Connecticut strengthen its internal controls to verify that the Federal Government receives its share of future AFDC collections.

AUDITEE'S COMMENTS

In its February 24, 2006, written comments on our draft report, Connecticut agreed to renew efforts to verify that the Federal Government receives and cashes checks from the State. (See appendix.)

¹Connecticut recovers both overpayments and regular payments made to AFDC recipients. Individuals who apply for welfare benefits in Connecticut must assign their rights to future assets to the State. Thus, the State has the right to recover the amount of assistance provided from future assets or monetary windfalls that recipients acquire. The State is required to refund to the Federal Government its share of both the recovered payments and the overpayments.

APPENDIX



STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

APPENDIX

MICHAEL P. STARKOWSKI
DEPUTY COMMISSIONER

TELEPHONE
(860) 424-5053

TDD/TTY
1-800-842-4524

FAX
(860) 424-5057

TO: George Nedder
John Sullivan
Dept. Of Health & Human Services, Office of the Inspector General

FROM: Michael Starkowski, Deputy Commissioner

DATE: February 24, 2006

RE: Review of AFDC Overpayments in Connecticut

Thank you for the opportunity to review the draft audit report on AFDC overpayment collections in Connecticut for the period of April 2001 through March 2005.

We acknowledge the identification of one check that was not received nor cashed by the federal government in a timely manner, of the 16 payments that were due during this period. While this payment was generated by the State, it was either not received or not cashed by the federal government as is noted in the audit.

As a result of this situation, the State is renewing efforts to ensure that we verify that the federal government has received and cashed the checks that are being generated and sent by the State. This includes sending the checks with a US Postal Service verification procedure. In addition, we will continue to review the State Treasurer's annual report of uncashed items to confirm that these checks are being cashed at the federal level.

Based upon these steps, we do not expect a recurrence of this issue in the future.

C: Jim Wietrak, Quality Assurance
Lee Voghel, Financial Management & Analysis
Michael Gilbert, Financial Management & Analysis

File: AFDC Overpayments - 2006