



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

JUL - 8 2008

Washington, D.C. 20201

TO: Daniel C. Schneider
Acting Assistant Secretary for Children and Families

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in Ohio for April 1, 2006, Through March 31, 2007 (A-04-07-03520)

Attached is an advance copy of our final report on improper Temporary Assistance for Needy Families (TANF) basic assistance payments in Ohio for April 1, 2006, through March 31, 2007. We will issue this report to the Ohio Department of Job and Family Services (the State agency) within 5 business days. The Administration for Children and Families (ACF) and the Office of Management and Budget requested this review.

The TANF program, which the Federal and State Governments jointly fund and administer, is a block grant program that provides eligible families with work opportunities and other assistance, including basic assistance payments for such ongoing basic needs as food, clothing, shelter, and utilities. Federal and State laws, regulations, and other requirements establish TANF eligibility, payment, and documentation requirements.

Our objectives were to determine whether the State agency (1) made TANF basic assistance payments to recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations and (2) accurately reported basic assistance expenditures to ACF.

For the period April 1, 2006, through March 31, 2007, the State agency made some TANF basic assistance payments that did not meet Federal and State requirements and did not adequately document all eligibility and payment determinations. The State agency accurately reported basic assistance expenditures to ACF.

We did not identify any errors in 120 of the 150 payments in our statistical sample. However, the remaining 30 payments were improper. For 10 of these payments, the recipient families were ineligible for TANF basic assistance, the payment was a duplicate, or the payment was calculated improperly. For 20 payments, the case files did not contain all required documentation supporting eligibility and payment determinations.

Based on our sample results, we estimated that the overall TANF improper payment rate was 21.1 percent of the Federal dollars expended and 20 percent of the number of basic assistance payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$44,146,719 (Federal share) for 198,026 overpayments.

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by requiring its county office employees to verify eligibility information and to maintain appropriate documentation in all case files, particularly with respect to work participation;
- determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible; and
- recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

In its comments on our draft report, the State agency provided information on steps it had taken or planned to take to implement the recommendations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Lori.Pilcher@oig.hhs.gov or Peter J. Barbera, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750 or through e-mail at Peter.Barbera@oig.hhs.gov. Please refer to report number A-04-07-03520.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV

61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

JUL 15 2008

Report Number: A-04-07-03520

Ms. Helen E. Jones-Kelley, J.D., Director
Ohio Department of Job and Family Services
30 East Broad Street, 32nd Floor
Columbus, Ohio 43215-3414

Dear Ms. Jones-Kelley:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in Ohio for April 1, 2006, Through March 31, 2007." We will forward a copy of this report 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 this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact John Drake, Audit Manager, at (404) 562-7755 or through e-mail at John.Drake@oig.hhs.gov. Please refer to report number A-04-07-03520 in all correspondence.

Sincerely,

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

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Direct Reply to HHS Action Official:

Ms. Joyce A. Thomas, Regional Administrator
Administration for Children and Families
233 North Michigan Avenue, Suite 400
Chicago, Illinois 60601-5519

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF IMPROPER
TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES BASIC
ASSISTANCE PAYMENTS IN OHIO
FOR APRIL 1, 2006, THROUGH
MARCH 31, 2007**



Daniel R. Levinson
Inspector General

July 2008
A-04-07-03520

Office of Inspector General

<http://oig.hhs.gov>

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The Office of Audit Services (OAS) provides 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. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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.

EXECUTIVE SUMMARY

BACKGROUND

The Temporary Assistance for Needy Families (TANF) program, a block grant program, provides eligible families with work opportunities and other assistance, including basic assistance payments for such ongoing basic needs as food, clothing, shelter, and utilities. The Federal and State Governments jointly fund and administer the TANF program. The Administration for Children and Families (ACF), Office of Family Assistance, administers the program at the Federal level.

Federal and State laws, regulations, and other requirements establish TANF eligibility, payment, and documentation requirements. To be eligible for TANF, a needy family must, among other requirements, include a minor child or pregnant woman, not exceed established time limits for receiving assistance, engage in work activities, not exceed income thresholds established by the State, meet citizenship and residency requirements, submit a written application for benefits, and furnish the Social Security number of each family member. The State must maintain records on the provision of assistance, including facts to support eligibility and payment determinations.

In Ohio, the Department of Job and Family Services (the State agency) administers the TANF program through the county Departments of Job and Family Services (county offices). The county offices determine the eligibility of applicants and the payment amounts for basic assistance. For the period April 1, 2006, through March 31, 2007, the State agency made 990,128 monthly basic assistance payments totaling \$320,825,228 (\$209,560,424 Federal share) to TANF recipients.

ACF and the Office of Management and Budget (OMB) requested this review.

OBJECTIVES

Our objectives were to determine whether the State agency (1) made TANF basic assistance payments to recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations and (2) accurately reported basic assistance expenditures to ACF.

SUMMARY OF FINDINGS

For the period April 1, 2006, through March 31, 2007, the State agency made some TANF basic assistance payments that did not meet Federal and State requirements and did not adequately document all eligibility and payment determinations. The State agency accurately reported basic assistance expenditures to ACF.

We did not identify any errors in 120 of the 150 payments in our statistical sample. However, the remaining 30 payments were improper:

- For 10 payments, the recipient families were ineligible for TANF basic assistance, the payment was a duplicate, or the payment was calculated improperly.
- For 20 payments, the case files did not contain all required documentation supporting eligibility and payment determinations.

Based on our sample results, we estimated that the overall TANF improper payment rate was 21.1 percent of the Federal dollars expended and 20 percent of the number of basic assistance payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$44,146,719 (Federal share) for 198,026 overpayments. The following table summarizes our statistical estimates.

Statistical Estimates of Improper Payments

Error Category	Improper Payment Rate		Improper Payments	
	Federal Dollars	No. of Payments	Federal Dollars	No. of Payments
Eligibility and payment calculation errors	6.26%	6.67%	\$13,124,584	66,009
Documentation errors	14.80%	13.33%	31,022,135	132,017
Overall	21.06%	20.00%	\$44,146,719	198,026

RECOMMENDATIONS

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by requiring its county office employees to verify eligibility information and to maintain appropriate documentation in all case files, particularly with respect to work participation;
- determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible; and
- recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency provided information on steps it had taken or planned to take to implement the recommendations. The State agency also expressed its concerns about developing a national TANF payment error rate and about posting our individual

State reports on the Internet before the eight-State review process is complete. The State agency's comments are included in their entirety as Appendix E.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Improper Payments Information Act of 2002 requires Federal agencies to estimate the annual amount of improper payments in their programs and to report that estimate to Congress. ACF and OMB requested this review of the TANF program for fiscal year 2008 performance and accountability reporting.

With respect to posting reports on the Internet, the Consolidated Appropriations Act of 2008 (Public Law 110-161), section 746, requires that each Office of Inspector General post on its Web site any public report or audit issued within 1 day of its release.

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INTRODUCTION

BACKGROUND

The Administration for Children and Families (ACF) and the Office of Management and Budget (OMB) requested this review of the Temporary Assistance for Needy Families (TANF) program for fiscal year 2008 performance and accountability reporting.

Improper Payments Information Act of 2002

The Improper Payments Information Act of 2002 (Public Law 107-300) requires Federal agencies to estimate and report to Congress on the annual amount of improper payments in their programs, the causes of the improper payments, and the corrective actions taken. Section 2(d)(2) of this Act (31 U.S.C. § 3321) states that an improper payment:

. . . (A) means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(B) includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

To clarify this definition, OMB Circular A-123, Appendix C, part I.A, states that “when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.”

Temporary Assistance for Needy Families Program

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) established the TANF program to help families progress from welfare to self-sufficiency. The Federal and State Governments jointly fund and administer the program. At the Federal level, the ACF Office of Family Assistance administers the program. Within broad national guidelines established by Federal statutes, regulations, and other requirements, States have significant flexibility in designing their programs and determining eligibility requirements.

The Federal Government provides TANF funds in the form of block grants, which are specified amounts directly allocated to States. To be eligible for a TANF block grant, a State must submit a State plan to ACF within the 27-month period prior to the Federal fiscal year in which the funds are to be provided. The State plan is an outline of how each State will operate its TANF program, including program administration, criteria for determining eligibility and delivering benefits, and assurances against fraud and abuse. ACF reviews the State plan for completeness but does not issue an approval. ACF has stated that a determination that a plan is complete does not constitute its endorsement of State policies.¹

¹See 64 Federal Register 17720, 17847 (April 12, 1999).

Pursuant to section 401 of the Social Security Act (the Act), the TANF program provides assistance and work opportunities to needy families. As a general rule, States must use the funds for eligible families with a minor child or pregnant woman and for one of the four purposes of the TANF program, including providing assistance to needy families.² Federal regulations (45 CFR § 260.31(a)(1)) define assistance as cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs, including, but not limited to, food, clothing, shelter, and utilities. Such assistance is referred to as “basic assistance.”

States may use various funding options to provide benefits and services under their TANF programs (e.g., commingled Federal and State funds or segregated State funds). The funding option chosen determines what specific requirements apply and whether a particular use of funds is appropriate. Commingled Federal and State funds are subject to Federal laws and requirements.

Ohio’s Temporary Assistance for Needy Families Program

In Ohio, the Department of Job and Family Services (the State agency) administers the TANF program through the county Departments of Job and Family Services (county offices). During our audit period, the State agency used a computerized payment and information system, the Client Registry Information System—Enhanced (CRISE), to process, pay, and track TANF basic assistance benefits.

The State agency has opted to commingle Federal and State funds in its TANF program. During our audit period, the State agency, on average, funded 65 percent of its basic assistance expenditures from the Federal TANF block grant, and the State agency paid the remaining 35 percent.

The State agency requires individuals to submit written applications for TANF basic assistance. The county offices review the applications and determine whether individuals meet TANF eligibility requirements. For each applicant determined eligible, the county office determines the amount of assistance to be paid to the family. As part of the application process, the county office notifies the applicant of his or her responsibility to inform the county office of any changes that might affect eligibility or payment status. Every 6 months thereafter, the county office must verify any updated information and redetermine the individual’s eligibility.

Federal and State Requirements Related to Temporary Assistance for Needy Families Basic Assistance

The State agency must comply with certain Federal requirements in determining and redetermining eligibility and payment amounts. Federal regulations (45 CFR §§ 205.51–205.60 and parts 260–264) set forth basic TANF eligibility requirements that States must impose on families receiving assistance, including time limits and work requirements for adults.

²The other purposes of TANF are to (1) end the dependence of needy parents by promoting job preparation, work, and marriage; (2) prevent and reduce out-of-wedlock pregnancies; and (3) encourage the formation and maintenance of two-parent families (section 401 of the Act).

Appendix A of this report contains the specific Federal requirements related to TANF basic assistance.

In addition, the Ohio State plan, Chapter 5107 of the Ohio Revised Code (ORC), Chapter 5101 of the Ohio Administrative Code (OAC), and State guidance establish TANF basic assistance requirements. The State plan incorporates Federal requirements and establishes all other eligibility requirements, such as income levels and standards of need,³ as set forth in State law and guidance. Appendix B of this report contains the specific State requirements related to TANF basic assistance.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency (1) made TANF basic assistance payments to recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations and (2) accurately reported basic assistance expenditures to ACF.

Scope

Our audit period covered April 1, 2006, through March 31, 2007. We did not review the overall internal control structure of the Ohio TANF program. Rather, we reviewed the State agency's procedures relevant to the objectives of the audit.

We performed fieldwork from July to November 2007 at the State agency in Columbus, Ohio, and at various county offices throughout the State.

Methodology

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, and other requirements related to TANF basic assistance eligibility and payment amounts;
- held discussions with ACF regional officials and with State officials to obtain an understanding of policies, procedures, and guidance for determining TANF basic assistance eligibility and payment amounts;
- obtained a list of TANF basic assistance payments for the period April 1, 2006, through March 31, 2007, from the State agency's CRISE;

³Section II of the State plan sets the standard of need based on the number of household members (referred to as "assistance group members" in Ohio). The State uses the standard to determine eligibility for TANF basic assistance.

- combined all payments to each recipient family in a month and obtained a universe of 990,128 monthly payments totaling \$320,825,228 (\$209,560,424 Federal share);
- validated the universe of payments, including reported expenditures;
- identified duplicate payments by looking for payments in the same amount to the same recipient family for the same month;
- calculated the average Federal share of Ohio's TANF basic assistance expenditures for the audit period by dividing the Federal dollars listed on line 5A (basic assistance payments) of Ohio's quarterly reports to ACF by the total dollars listed on line 5A; and
- selected a simple random sample of 150 payments from the universe of 990,128 monthly payments, as detailed in Appendix C.

For each of the 150 sampled items, we determined whether the corresponding case file (electronic or paper) contained sufficient information for the county office to have made a TANF basic assistance eligibility determination on the date of initial determination or redetermination. We also attempted to obtain sufficient independent information to determine whether the recipient family was eligible for TANF basic assistance and received the proper payment amount on the payment date selected. Specifically, we determined whether:

- the case file contained a completed application from a representative of the recipient family;
- the case file contained a Social Security number for each member of the recipient family and, if so, whether the Social Security Administration had issued the number to the family member;
- the recipient family resided in Ohio by checking driver's licenses, rental agreements, utility bills, school records, or Federal, State, or local government correspondence;
- each family member's identity, including name and age, was adequately documented in the case file (e.g., birth certificates, adoption papers, court decrees, and passports);
- each family member's citizenship status was adequately documented in the case file (e.g., birth certificates, hospital records, and U.S. Citizenship and Immigration Services documentation);
- the recipient family's income was at or below the income threshold required to be eligible for TANF basic assistance on the payment date selected by reviewing information from the case file and the State Income and Eligibility Verification System, including the Ohio New Hires database, the Social Security Administration's Beneficiary Data Exchange, the Supplemental Security Income State Data Exchange, the State Wages database, and the Unemployment Compensation database;

- the recipient family was not receiving concurrent payments from more than one county by checking information from the CRISE and the case file;
- no member of the recipient family was a fugitive felon or parole violator by checking State and Federal felon databases;
- the recipient family complied with child support requirements by reviewing information from the case file and the State agency's Office of Child Support;
- assistance was not provided to any adult member, minor head of household, or minor spouse in the recipient family beyond allowable time limits by reviewing information from the State agency's CRISE; and
- the parent or caretaker in the recipient family met work requirements by reviewing the case file.

We estimated, for the total universe of 990,128 TANF monthly basic assistance payments, the total dollar value of payments with eligibility or calculation errors and with documentation errors. We also estimated, for the total universe, the total number of these improper payments.

In addition, we determined the improper payment rate in dollars by dividing the estimated improper Federal dollars by the total Federal dollars in the universe. We also determined the improper payment rate for the number of payments in error by dividing the estimated number of improper payments by the total number of payments in the universe.

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.

FINDINGS AND RECOMMENDATIONS

The State agency made some TANF basic assistance payments that did not meet Federal and State requirements and did not adequately document all eligibility and payment determinations. The State agency accurately reported basic assistance expenditures to ACF.

Of the 150 payments in our statistical sample, 30 payments totaling \$6,688 (Federal share) were improper because the recipient families were ineligible for TANF basic assistance, the payment was a duplicate, the payment was calculated improperly, or the case files did not contain all required documentation supporting eligibility and payment determinations. We did not identify any errors in the remaining 120 payments.

Based on our sample results, we estimated that the overall TANF improper payment rate was 21.1 percent of the Federal dollars expended and 20 percent of the number of basic assistance

payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$44,146,719 (Federal share) for 198,026 overpayments. (See page 10 for additional statistical estimates.)

IMPROPER PAYMENTS

Table 1 summarizes the errors noted in the 30 improper payments in our sample.

Table 1: Summary of Improper Payments

Type of Error	Improper Federal Payments	No. of Improper Payments
Eligibility and Payment Calculation Errors		
Recipient families were ineligible:		
Work participation requirements not met	\$1,142	4
Income threshold exceeded on payment dates	304	2
Household composition requirements not met	219	1
Cooperation not demonstrated	<u>115</u>	<u>1</u>
Subtotal	\$1,780	8
Payment was a duplicate	160	1
Payment was calculated improperly	<u>48</u>	<u>1</u>
Subtotal	\$1,988	10
Documentation Errors		
Documentation was not sufficient to support eligibility and payment determinations	<u>\$4,700</u>	<u>20</u>
Total	\$6,688	30

We provided details on each of these payment errors to the State agency.

Eligibility and Payment Calculation Errors

Recipient Families Were Ineligible

Federal regulations (45 CFR § 261.10(a)(1)) require that a parent or caretaker receiving assistance engage in work activities when the State has determined that the individual is ready to do so or when he or she has received assistance for a total of 24 months, whichever is earlier. If an individual refuses to engage in work, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions that the State may establish (45 CFR § 261.14(a)).

State rules (OAC 5101:1-3-12(A) (2006) and OAC 5101:1-3-12(D)(1) (2007)) provide that a recipient family is ineligible to participate in the Ohio TANF program unless each applicable assistance unit member, not later than 30 days after applying for or undergoing a redetermination of eligibility, enters into a written self-sufficiency contract with the county office. OAC 5101:1-

3-15(B) establishes the following sanctions if a member of a recipient family fails or refuses, without good cause, to fully comply with a provision of a self-sufficiency contract:

1. For a first failure or refusal, the county office must deny or terminate the recipient family's eligibility to participate in TANF for 1 payment month or until the failure or refusal ceases, whichever is longer.
2. For a second failure or refusal, the county office must deny or terminate the recipient family's eligibility to participate in TANF for 3 payment months or until the failure or refusal ceases, whichever is longer.
3. For a third or subsequent failure or refusal, the county office must deny or terminate the recipient family's eligibility to participate in TANF for 6 payment months or until the failure or refusal ceases, whichever is longer.

Pursuant to 45 CFR § 263.2(b)(3), income and resource thresholds are established by the State and must be included in the State plan. Generally, income thresholds vary based on the number of family members in the household. Federal regulations (45 CFR §§ 205.51 and 205.55) establish requirements for income and eligibility verification. These regulations, which govern the Income and Eligibility Verification System, require a State to request information from other agencies to verify individuals' eligibility for assistance under the State plan and the correct amount of assistance payments for applicants and recipients.

OAC 5101:1-2-20(A)(2) mandates verification of all eligibility factors to establish initial and continuing eligibility for Ohio's TANF program. OAC 5101:1-23-20(A)(1) states that to determine initial eligibility, the county office must determine whether the family's gross income exceeds a specified amount provided in the ORC, section 5107.10. OAC 5101:1-23-20(A)(2) provides that if the family's gross income does not exceed the amount specified in the ORC, the county office must determine whether the family's countable income is below the maximum payment limit. OAC 5101:1-2-01(G)(2) requires the family and/or an authorized representative to accurately and completely disclose all information necessary for a determination of eligibility at the time of initial application and reapplication and within 10 days of any change affecting benefits.

OAC 5101:1-23-70(D)(1) establishes that when a recipient family has a reportable change, as defined at OAC 5101:1-2-20, the effective date of the budget adjustment must be the first day of the month following the month in which the change occurred. This provision applies except when the change is new employment of a family member. Although the new employment must be reported within 10 days from the date that the employment began, the budget adjustment does not become effective until the first day of the month following the month in which the family receives earned income from the employment.

Section 408(a)(1) of the Act requires that a State not use any part of the TANF grant to provide assistance to a family unless the family includes a minor child who resides with the family or includes a pregnant woman. To be eligible for assistance, OAC 5101:1-3-03(B)(1) requires that

a child's home be with a "parent, specified relative, custodian or legal guardian." Further, under OAC 5101:1-3-03(B)(5), a specified relative may receive assistance only on behalf of a minor child(ren) with whom the specified relative physically resides. Pursuant to OAC 5101:1-2-20(B)(1), certain events that occur before recipients are required to undergo recertification must be reported, including a "[c]hange in assistance group composition." OAC 5101:1-23-70(B)(2) requires that when the State agency learns of a reportable event that affects the assistance group's eligibility for assistance, the State agency must take appropriate action, such as a termination action or payment adjustment, based on the type of change in circumstances. OAC 5101:1-23-70(D) provides that the effective date of the termination or adjustment is the first day of the month following the month in which the reportable event occurred.

OAC 5101:1-2-01(P) states that failure to cooperate in the application and verification process will result in denial of assistance. Failure occurs when the recipient family (1) does not provide information/verification requested by the county office provided that the family does not request the county office's assistance in obtaining such information/verification, (2) does not provide the county office with necessary information to assist in obtaining the verification needed to determine eligibility, or (3) fails to appear for a scheduled application appointment.

Of the 150 sampled payments, 8 payments totaling \$1,780 (Federal share) were made to recipient families who did not meet Federal and State eligibility requirements:

- For four overpayments totaling \$1,142 (Federal share), the recipient families did not meet work participation requirements and did not qualify for an exemption from the State agency.
- For two overpayments totaling \$304 (Federal share), the recipient families' incomes exceeded the TANF basic assistance income threshold on the payment dates.
- For one overpayment totaling \$219 (Federal share), the minor children in the assistance group no longer lived with the specified relative, and the State agency had not taken action to terminate assistance.
- For one overpayment totaling \$115 (Federal share), the recipient family did not comply with the State requirement to cooperate in the eligibility redetermination process.

Payment Was a Duplicate

Section 2(d)(2)(B) of the Improper Payments Information Act of 2002 (31 U.S.C. § 3321) states that the term "improper payment" includes any duplicate payment made to a recipient. Likewise, under State statute (ORC 5107.76), "erroneous payments" are cash assistance payments to recipient families who are not eligible to receive the assistance, including assistance paid as a result of misrepresentation or fraud and as a result of an error by a recipient family member or a county office.

Of the 150 sampled payments, 1 payment totaling \$160 (Federal share) was in error because it duplicated another payment to the same recipient family for the same period.

Payment Was Calculated Improperly

Section 408(a)(4) of the Act requires that a State not use any part of the TANF grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high school education or its equivalent. OAC 5101:1-23-50(A) states that with the exception of teens who have obtained a high school diploma or the equivalent, teen custodial parents and pregnant teens under the age of 19 who are applying for or receiving TANF assistance are potentially subject to school enrollment and attendance requirements. OAC 5101:1-23-50(H)(1) states that a teen under the age of 18 who fails without good cause to enroll in school as assigned is ineligible to participate in the Ohio TANF program. However, this consequence affects only the teen and does not affect the eligibility of the teen's child.

Of the 150 sampled payments, 1 payment totaling \$48 (Federal share) was made to a recipient family who was eligible for basic assistance but for whom the payment was calculated improperly. Specifically, this overpayment did not include a reduction for a family member who did not comply with high school or other training program requirements and did not qualify for an exemption from the State agency.

Documentation Errors

State agencies are required to maintain records regarding applications and eligibility determinations for the provision of financial assistance. Included in such records should be facts supporting initial and continuing eligibility determinations (45 CFR § 205.60(a)). OMB Circular A-123, Appendix C, part I.A, states that when a Federal agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must be considered an error.

State rules (OAC 5101:1-1-13(A)) provide that the "assistance group record" is a compilation of audit trails showing that the county office has substantiated whether a family meets eligibility and participation requirements, that the grant has been computed correctly, that potential income and resources are being explored, and that the county office and the recipient family are fulfilling their mutual responsibilities. These audit trails include but are not limited to application forms, reapplication forms, self-sufficiency contracts, and appraisal and assessment forms.

The case files for 20 sampled payments totaling \$4,700 (Federal share) did not contain adequate documentation to support eligibility and payment determinations. For these overpayments, the missing documentation included at least one of the following: a signed self-sufficiency contract; a signed application covering the payment month; and facts supporting participation in work activities, household composition, and child custody. Seventeen of the twenty case files were missing a self-sufficiency contract and/or evidence of meeting work participation requirements.

CONCLUSION

Some of the sampled payments did not meet Federal and State eligibility, payment, or documentation requirements. For these payments, the county offices did not verify all information provided to support applications or did not maintain appropriate documentation to support eligibility and payment determinations.

Based on our sample results, we estimated that the TANF improper payment rate was 21.1 percent of the Federal dollars expended and 20 percent of the number of basic assistance payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$44,146,719 (Federal share) for 198,026 overpayments. Table 2 summarizes our statistical estimates. (See Appendix D for details on our sample results and estimates.)

Table 2: Statistical Estimates of Improper Payments

Error Category	Improper Payment Rate		Improper Payments	
	Federal Dollars	No. of Payments	Federal Dollars	No. of Payments
Eligibility and payment calculation errors	6.26%	6.67%	\$13,124,584	66,009
Documentation errors	14.80%	13.33%	31,022,135	132,017
Overall	21.06%	20.00%	\$44,146,719	198,026

We are not recommending recovery of the overpayments identified in this report primarily because ACF decided to assess penalties⁴ in the TANF program rather than take disallowances in response to audit findings.

RECOMMENDATIONS

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by requiring its county office employees to verify eligibility information and to maintain appropriate documentation in all case files, particularly with respect to work participation;
- determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible; and
- recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

⁴Penalties are set forth in section 409 of the Act.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency provided information on steps it had taken or planned to take to implement the recommendations and cited possible reasons for some of the errors. The State agency also expressed its concerns about developing a national TANF payment error rate because States are allowed to use different eligibility criteria, budgeting methodologies, and sanctioning procedures in their programs. The State agency requested that we refrain from posting our individual State reports on the Internet until the entire eight-State TANF review process is complete and all reports are final.

The State agency's comments are included in their entirety as Appendix E.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Improper Payments Information Act of 2002 requires Federal agencies to estimate the annual amount of improper payments in their programs and to report that estimate to Congress. As stated on page 1 of this report, ACF and OMB requested this review of the TANF program for fiscal year 2008 performance and accountability reporting.

With respect to posting reports on the Internet, the Consolidated Appropriations Act of 2008 (Public Law 110-161), section 746, requires that each Office of Inspector General post on its Web site any public report or audit issued within 1 day of its release.

APPENDIXES

**FEDERAL REQUIREMENTS RELATED TO TEMPORARY ASSISTANCE
FOR NEEDY FAMILIES BASIC ASSISTANCE**

- Section 401 of the Social Security Act (the Act) states that one purpose of the Temporary Assistance for Needy Families (TANF) program is to provide assistance to needy families.
- The Federal Register, Vol. 64, No. 69, page 17825 (April 12, 1999) defines a needy family as one that is financially deprived, i.e., lacking adequate income and resources.
- Regulations (45 CFR § 260.31(a)(1)) define assistance as cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses), as well as supportive services, such as transportation and childcare provided to families whose household heads are not employed.
- Regulations (45 CFR § 263.2(b)) state that cash assistance benefits may be provided only to or on behalf of eligible families.
- Section 408(a)(1) of the Act requires that a State not use any part of the grant to provide assistance to a family unless the family includes a minor child who resides with the family or includes a pregnant woman.
- Section 408(a)(4) of the Act requires that a State not use any part of the TANF grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high school education or its equivalent.
- Section 408(a)(7) of the Act and 45 CFR § 264.1(a)(1) provide that a State may not use Federal TANF funds to provide assistance to a family that includes an adult who has received Federal assistance for more than 60 cumulative months. However, 45 CFR § 264.1(c) allows States the option to extend assistance beyond the 5-year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year on the basis of hardship, as defined by the State, or battery of a family member.
- Regulations (45 CFR § 261.10(a)(1)) require that a parent or caretaker receiving assistance engage in work activities when the State has determined that the individual is ready to do so or when the individual has received assistance for a total of 24 months, whichever is earlier.
- Regulations (45 CFR §§ 205.52(a)(1) and (2)) require, as a condition of eligibility, that each applicant for or recipient of aid furnish his or her Social Security number to the State or local agency. If the individual cannot recall or was not issued a Social Security

number, the individual is required to apply to the Social Security Administration (SSA) for a number through procedures adopted by the State or local agency. If such procedures are not in effect, the individual must apply directly for such a number, submit verification of such application, and provide the number upon its receipt.

- Regulations (45 CFR § 205.52(g)) require the State agency to submit all unverified Social Security numbers to SSA for verification.¹
- Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193, as codified, in part, at 8 U.S.C. §§ 1601–1646) requires a TANF recipient to be a citizen or national of the United States or a qualified alien. Legal resident aliens and other qualified aliens who entered the United States on or after August 22, 1996, are ineligible for assistance for the first 5 years after entry.
- Regulations (45 CFR § 263.2(b)(3)) state that TANF basic assistance income and resource thresholds are established by the State and must be included in the State plan. The income and resource thresholds, which are subject to adjustments, vary based on the number of members in the household.
- Regulations (45 CFR §§ 205.51 and 205.55) establish requirements for income and eligibility verification. These regulations governing the Income and Eligibility Verification System require States to request information from other Federal and State agencies to verify individuals' eligibility for assistance under the State plan and the correct amount of assistance payments for applicants and recipients.
- Regulations (45 CFR § 264.30(a)) require the State agency to refer to the child support enforcement agency all appropriate individuals in the family of a child for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child.
- Section 408(a)(2) of the Act provides that if an individual does not cooperate with the State in establishing paternity or in establishing, modifying, or enforcing a support order, the State must reduce assistance by at least 25 percent or may deny the family any assistance.
- Section 408 of the Act prohibits assistance for individuals who (1) fail to assign support rights to the State, (2) fail to attend high school or an equivalent training program when the individual is a teenage parent, (3) fail to reside in an adult-supervised setting when the household head is a teenager, (4) are fugitive felons or parole violators, or (5) are minor

¹The State agency may accept as verified a Social Security number provided directly to the State agency by SSA or by another Federal or federally assisted benefit program that has received the number from SSA or has submitted it to SSA for verification.

children absent from the home or parents who fail to notify the State agency of the absence.

- The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193, as codified, in part, at 8 U.S.C. §§ 1601–1646), section 115(a)(1), prohibits assistance for individuals who have been convicted of a drug-related felony.
- Regulations (45 CFR § 205.60(a)) require State agencies to maintain records regarding applications and eligibility determinations for the provision of assistance. Included in such records should be facts supporting initial and continuing eligibility determinations.
- Regulations (45 CFR part 265) establish that States must report TANF financial data on a quarterly basis to ACF. Pursuant to 45 CFR §§ 265.7(a) and 265.4(a), each State's quarterly reports must be complete, accurate, and filed within 45 days of the end of the quarter. A complete and accurate report means that (1) the reported data accurately reflect information available to the State in case records, financial records, and automated data systems; (2) the data are free from computational errors and are internally consistent; and (3) the reported data include all applicable elements (45 CFR § 265.7(d)).

**STATE REQUIREMENTS RELATED TO TEMPORARY ASSISTANCE
FOR NEEDY FAMILIES BASIC ASSISTANCE**

- The Ohio Administrative Code (OAC) § 5101:1-2-01(B)(3) establishes that the application process requires the complete cooperation of the family and the prompt responsiveness of the county Departments of Job and Family Services (county offices).
- OAC 5101:1-23-10(B) establishes that a standard filing unit (assistance group) includes the natural or adoptive parent(s) and all minor siblings living with a dependent child who is determined eligible for Ohio Works First (OWF, the State's TANF program).
- Pursuant to OAC 5101:1-23-10(D)(3), parents or children receiving Supplemental Security Income are not eligible to be included in the standard filing unit.
- OAC 5101:1-23-40(A)(3) states that when an assistance group is eligible for a certain level of assistance on the first day of the month, the assistance group, as a general rule, is eligible for at least that level of assistance for the entire month. A change in circumstances during the month does not reduce the level of assistance for which the assistance group is eligible that month, with specified exceptions.
- The Ohio Revised Code (ORC) § 5107.16 and OAC 5101:1-3-15(B) provide that if a member of an assistance group fails or refuses, without good cause, to comply in full with a provision of a self-sufficiency contract, the county office must sanction the assistance group. OAC 5101:1-3-15(B) establishes the sanctions as follows: (1) for a first failure or refusal, the county office must deny or terminate the assistance group's eligibility to participate in OWF for 1 payment month or until the failure or refusal ceases, whichever is longer; (2) for a second failure or refusal, the county office must deny or terminate the assistance group's eligibility to participate in OWF for 3 payment months or until the failure or refusal ceases, whichever is longer; and (3) for a third or subsequent failure or refusal, the county office must deny or terminate the assistance group's eligibility to participate in OWF for 6 payment months or until the failure or refusal ceases, whichever is longer.
- ORC 5107.161 and OAC 5101:1-3-15(C) state that before a county office sanctions an assistance group, the State Department of Job and Family Services (the State agency) must provide the assistance group written notice of the sanction. The written notice must state that, not later than 15 calendar days after the State agency mailed the written notice to the assistance group, the group may request a State hearing. ORC 5107.162 provides that if an assistance group requests a State hearing not later than 15 calendar days after the State agency mails the written notice of sanction, the county office must postpone imposition of the sanction until a final decision is rendered in the State hearing.
- ORC 5107.76 defines "erroneous payments" as cash assistance payments made under OWF to assistance groups not eligible to receive the assistance, including assistance paid

as a result of misrepresentation or fraud and as a result of an error by an assistance group member or a county office.

- OAC 5101:1-2-20(A)(2) states that verification of all eligibility factors is required to establish initial and continuing eligibility for a cash assistance program. OAC 5101:1-2-20(A)(9) states that the methods used for verification must be thoroughly documented in the case record. All documents submitted to the county office must be photocopied and the copy retained in the case record.
- OAC 5101:1-2-01(E)(1) requires that the application be signed and dated by a payee for the assistance group, a caretaker for the assistance group, a responsible member of the assistance group, the spouse or natural or adoptive parent of a member of the assistance group who is not in the assistance group but who resides with the group, or an authorized representative of the assistance group.
- OAC 5101:1-2-01(G)(2) requires the assistance group and/or an authorized representative to make an accurate and complete disclosure of all information necessary for a determination of eligibility at the time of initial application and reapplication and within 10 days of any change affecting benefits.
- Pursuant to OAC 5101:1-2-01(P), failure to cooperate in the application process and the verification requirements will result in a denial of the OWF. Failure occurs (1) when the information/verification is not provided after the county office properly advises what information/verification is needed to determine eligibility provided that no request for assistance in obtaining information/verification is received by the county office, (2) when the county office is not given necessary information to assist in obtaining the verification needed to determine eligibility, or (3) when the assistance group fails to appear for a scheduled application appointment.
- ORC 5107.10(C) states that to be eligible for OWF, an assistance group must include either (1) a minor child who resides with a parent, specified relative, legal guardian, or custodian or (2) a pregnant woman.
- OAC 5101:1-3-09(A) states that as a condition of eligibility for OWF, each assistance group member must furnish or apply for a Social Security number.
- OAC 5101:1-3-09(E) requires that the Social Security number be verified by either matching the reported number with information supplied by SSA or observing the assistance group member's Social Security card or any official document containing the Social Security number.
- OAC 5101:1-3-03(A)(1) states that residence in the State is a requirement for OWF. A child is a resident of the State in which the parent, legal guardian, custodian, or specified relative caring for the child is a resident.

- OAC 5101:1-3-07(A) states that verification of age, citizenship, and identity must be completed before any individual, adult, or child is eligible to be included in the assistance group.
- OAC 5101:1-3-07(D) establishes that every assistance group member is required to establish U.S. citizenship or legal alien status and to submit at least one document showing a U.S. birthplace or in some way indicating U.S. citizenship.
- OAC 5101:1-2-30(D) establishes a 5-year period of ineligibility for specified benefits for qualified aliens, and OAC 5101:1-2-30(D)(3) establishes exceptions to the period of ineligibility for those benefits.
- Pursuant to OAC 5101:1-23-01(B), an assistance group is ineligible to participate in OWF if the group includes a “countable individual” who has received OWF for 36 months. This time limit applies regardless of whether the 36 months are consecutive. OAC 5101:1-23-01(B) provides for extensions of OWF beyond the 36-month time limit for hardship or good cause, with the provision that no assistance group may receive OWF assistance in violation of the Federal 60-month time limit for receipt of TANF assistance.
- OAC 5101:1-3-14(B)(4) states that fraudulent misrepresentation of residence resulting in a Federal or State court conviction results in a 10-year period of ineligibility for OWF for the individual(s) convicted.
- OAC 5101:1-3-10(C) establishes mandatory cooperation in securing child support. All applicant/recipient adults or minor heads of household who are, or will be, included in the assistance group are required to sign and comply with a self-sufficiency contract. The contract includes a requirement for cooperation with child support.
- ORC 5107.20 states that participation in OWF constitutes an assignment to the State agency of any rights that members of an assistance group have to support from any other person.
- ORC 5107.24(B)(1) states that to be eligible to participate in OWF, a pregnant minor, minor parent, or child of a minor parent must reside in a place of residence maintained by a parent, guardian, custodian, or specified relative of the pregnant minor or minor parent as the parent’s, guardian’s, custodian’s, or specified relative’s own home.
- OAC 5101:1-23-50(A) states that with the exception of teens who have obtained a high school diploma or the equivalent, teen custodial parents and pregnant teens under the age of 19 who are applying for or in receipt of OWF are potentially subject to Learning Earning and Parenting program requirements. OAC 5101:1-23-50(F)(1) establishes that a teen under the age of 18 who does not meet any of the exemptions set forth in OAC 5101:1-23-50(D) must be assigned to enroll in and attend school. OAC 5101:1-23-

50(F)(3) establishes that a teen who is age 18 and who does not meet any of the exemptions must be assigned to enroll in and attend school.

- ORC 5107.36 states that an individual is not eligible to participate in OWF if the individual is a fugitive felon as defined in ORC 5101.20 or if the individual is violating a condition of probation, a community control sanction, parole, or a postrelease control sanction imposed under Federal or State law.
- OAC 5101:1-3-04(D) states that a parent or specified relative of a minor child is ineligible to be included in the assistance group if the parent or specified relative fails to notify the county office of the absence of the minor child from the home by the end of the 5-day period that begins on the date that it becomes clear to the parent or specified relative that the minor child will be absent for more than 45 consecutive days and good cause does not exist. The remaining assistance group members may continue to receive benefits.
- ORC 5107.14 establishes that an assistance group is ineligible to participate in OWF unless the minor head of household or each adult member of the assistance group, not later than 30 days after applying for or undergoing a redetermination of eligibility, enters into a written self-sufficiency contract with the county office. The contract must set forth the rights and responsibilities of the assistance group as applicants for and participants in the program, including work responsibilities established under ORC 5107.40–5107.69 and other requirements designed to assist the assistance group in achieving self-sufficiency and personal responsibility.
- OAC 5101:1-1-13(A) states that the “assistance group record” is a compilation of audit trails showing that the county office has substantiated whether an assistance group meets eligibility and participation requirements, that the grant has been computed correctly, that potential income and resources are being explored, and that the county office and the assistance group are fulfilling their mutual responsibilities. These audit trails include but are not limited to application forms, reapplication forms, self-sufficiency contracts, and appraisal and assessment forms.
- ORC 5107.42(A) requires the county office to assign each minor head of household and adult participating in OWF to one or more work activities and developmental activities.
- ORC 5107.42(C) states that a county office may exempt a minor head of household or an adult who is unmarried and caring for a minor child under 12 months of age from the work requirements of ORC 5107.40–5107.69 for not more than 12 months.
- OAC 5101:1-3-12(E)(4) establishes that there are circumstances under which the county office may exempt a work-eligible individual from participation in a work activity as contained in OAC 5101:1-3-01(F) for all or some of the weekly hours otherwise required.

The county office must document the reason for not assigning the participant to all or some of the required hours.

- OAC 5101:1-23-20(A)(1) states that except as provided in ORC 5107.10(D)(3), to determine whether an assistance group is initially eligible to participate in OWF, a county office must determine whether the group's gross income exceeds the amount specified in the chart in ORC 5107.10(D)(1)(a). OAC 5101:1-23-20(A)(2) provides for the determination of income eligibility. If the assistance group's gross income does not exceed the amount specified in the chart, the county office must determine whether the assistance group's countable income is less than the payment standard set forth in OAC 5101:1-23-20(I).
- OAC 5101:1-23-70(D)(1) establishes that when the assistance group has a change that is identified as a reporting requirement in OAC 5101:1-2-20, the effective date of the budget adjustment must be the first day of the month following the month in which the change occurred. This applies to all reporting requirements listed in OAC 5101:1-2-20, whether the change is due to an income-related or non-income-related factor, except when the change is new employment of an assistance group member. Although the new employment must be reported within 10 days from the date that the employment began, the budget adjustment does not become effective until the first day of the month following the month in which the assistance group receives earned income from the employment.
- OAC 5101:1-23-70(D)(2) states that when the assistance group has a change that is not specifically listed as a reporting requirement in OAC 5101:1-2-20, and the change is not reported by the assistance group until the next reapplication (or between reapplication periods), the effective date of the budget adjustment is the first day of the month following the month in which the change was reported or the county became aware of the change.
- OAC 5101:1-3-12(D)(1) provides that an assistance group is ineligible to participate in OWF unless each work-eligible individual, not later than 30 days after applying for or undergoing a redetermination of eligibility for OWF, enters into a written self-sufficiency contract with the county office.

SAMPLE DESIGN AND METHODOLOGY

SAMPLE OBJECTIVE

Our objective was to determine whether the State agency made TANF basic assistance payments to recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations.

AUDIT UNIVERSE

The universe consisted of all TANF basic assistance payments made for the 12-month audit period that ended March 31, 2007.

SAMPLING FRAME

The sampling frame was a computer file containing 990,128 monthly basic assistance payments to TANF recipients in Ohio for the 12-month period that ended March 31, 2007. The total TANF reimbursement for the 990,128 payments was \$320,825,228 (\$209,560,424 Federal share).

SAMPLE UNIT

The sample unit was a monthly TANF basic assistance payment to a recipient family for the audit period. The payment included all basic assistance payments made to the family for the month.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected a sample size of 150 monthly TANF basic assistance payments.

SOURCE OF THE RANDOM NUMBERS

The source of the random numbers was the Office of Inspector General, Office of Audit Services, statistical sampling software, RAT-STATS 2007, version 1. We used the random number generator for our simple random sample.

METHOD FOR SELECTING SAMPLE ITEMS

We sequentially numbered the payments in our sampling frame and selected the sequential numbers that correlated to the random numbers. We then created a list of 150 sampled items.

CHARACTERISTICS TO BE MEASURED

We based our determination of whether each sampled payment was improper on Federal and State laws, regulations, and other requirements. Specifically, if at least one of the following characteristics was met, we considered the payment under review improper:

- The recipient family did not meet one or more eligibility requirements.
- The recipient family was eligible for assistance but received an improper payment amount (overpayment or underpayment).
- The case file did not contain sufficient documentation to support eligibility and payment determinations as required by Federal and State regulations.

ESTIMATION METHODOLOGY

We used RAT-STATS to calculate our estimates. We estimated the total Federal dollar value of TANF basic assistance payments with eligibility or payment calculation errors and with documentation errors. We also estimated the total number of these improper payments.

In addition, we determined the improper payment rate for the dollars expended by dividing the estimated improper Federal dollars by the total Federal dollars in the universe. We also determined the improper payment rate for the number of payments in error by dividing the estimated number of improper payments by the total number of payments in the universe.

SAMPLE RESULTS AND ESTIMATES

OVERALL SAMPLE RESULTS AND ESTIMATES

Overall Sample Details and Results

Value of Universe (Federal Share)	No. of Payments in Universe	Value of Sampled Payments (Federal Share)	Sample Size	Value of Improper Payments (Federal Share)	No. of Improper Payments
\$209,560,424	990,128	\$31,694	150	\$6,688	30

Overall Estimates

Limits Calculated for a 90-Percent Confidence Interval

	Estimated Value of Improper Payments	Estimated No. of Improper Payments
Point estimate	\$44,146,719	198,026
Lower limit	31,157,301	146,333
Upper limit	57,136,137	258,762

Calculation of Overall Improper Payment Rate

Dollar value of payments	$\frac{\text{Estimated improper Federal dollars}}{\text{Total Federal dollars in universe}}$	$\frac{\$44,146,719}{\$209,560,424} = 21.06\%$
Number of payments	$\frac{\text{Estimated No. of improper payments}}{\text{Total No. of payments in universe}}$	$\frac{198,026}{990,128} = 20.00\%$

SAMPLE RESULTS AND ESTIMATES FOR ELIGIBILITY AND PAYMENT CALCULATION ERRORS

Sample Results—Eligibility and Payment Calculation Errors

Value of Improper Payments (Federal Share)	No. of Improper Payments
\$1,988	10

Estimates—Eligibility and Payment Calculation Errors
Limits Calculated for a 90-Percent Confidence Interval

	Estimated Value of Improper Payments	Estimated No. of Improper Payments
Point estimate	\$13,124,584	66,009
Lower limit	5,332,989	36,253
Upper limit	20,916,178	109,363

Calculation of Improper Payment Rate—Eligibility and Payment Calculation Errors

Dollar value of payments	$\frac{\text{Estimated improper Federal dollars}}{\text{Total Federal dollars in universe}}$	$\frac{\$13,124,584}{\$209,560,424} = 6.26\%$
Number of payments	$\frac{\text{Estimated No. of improper payments}}{\text{Total No. of payments in universe}}$	$\frac{66,009}{990,128} = 6.67\%$

SAMPLE RESULTS AND ESTIMATES FOR DOCUMENTATION ERRORS

Sample Results—Documentation Errors

Value of Improper Payments (Federal Share)	No. of Improper Payments
\$4,700	20

Estimates—Documentation Errors

Limits Calculated for a 90-Percent Confidence Interval

	Estimated Value of Improper Payments	Estimated No. of Improper Payments
Point estimate	\$31,022,135	132,017
Lower limit	19,932,252	89,258
Upper limit	42,112,019	185,965

Calculation of Improper Payment Rate—Documentation Errors

Dollar value of payments	$\frac{\text{Estimated improper Federal dollars}}{\text{Total Federal dollars in universe}} = \frac{\$31,022,135}{\$209,560,424} = 14.80\%$
Number of payments	$\frac{\text{Estimated No. of improper payments}}{\text{Total No. of payments in universe}} = \frac{132,017}{990,128} = 13.33\%$

Ted Strickland
Governor



Helen E. Jones-Kelley
Director

30 East Broad Street Columbus, Ohio 43215-3414
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May 22, 2008

Mr. Peter J. Barbera,
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General, Region IV
61 Forsyth Street SW, Suite 3T41
Atlanta, Georgia 30303

Report Number: A-04-07-03520

Dear Mr. Barbera:

The Ohio Department of Job and Family Services (ODJFS) has reviewed the draft report entitled "Review of Improper Temporary Assistance for Needy Families (TANF) Basic Assistance Payments in Ohio for April 1, 2006 Through March 31, 2007." This communication will serve as the State of Ohio's formal response to the U.S. Department of Health and Human Services, Office of Inspector General draft report dated April 24, 2008.

Before the specific recommendations contained within the report are addressed, I will reiterate the concerns that Ohio has previously raised with respect to the establishment of a national payment error rate for the TANF program. These concerns are echoed by the other 7 states currently being reviewed under this process. These concerns have been articulated in joint correspondence from The American Public Human Services Association, the National Association of State TANF Administrators, and the National Association for Program Information and Performance Management, to HHS, OIG and the Office of Management and Budget (OMB). In addition, representatives of the 8 affected states have met twice with federal officials to discuss these concerns. To date, the states' concerns have not been addressed, nor has reasonable consideration been given to a proposed alternative review methodology that would more reasonably and appropriately evaluate individual state program compliance with federal requirements.

Ohio maintains its disagreement with the concept and validity of the development of a national payment error rate. The establishment of a national payment error rate for a flexible block grant program such as TANF will result in a state by state comparison that is meaningless and invalid. Under TANF, states now have the flexibility of using differing eligibility criteria, budgeting methodologies, and sanctioning procedures to implement each state's strategy to increase the self sufficiency of program participants. These vastly differing policies and processes make comparison from state to state in the context of a national payment error rate a misguided and costly effort.

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Report Number: A-04-07-03520

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The initial announcement that HHS/OIG was conducting a review of TANF basic assistance payments in Ohio explained that “this audit will be one of 8 audits conducted nationwide with the ultimate objective of determining a nationwide payment error rate for ACF’s TANF program.” The review commenced in June 2007, and Ohio is the first state among the 8 states currently under review to have completed the process. The cover letter to this draft report indicates that within 10 business days after the final report is issued, OIG will post the report on the Internet.

I respectfully request that OIG refrain from either publishing and/or posting information on specific state reviews to the Internet at <http://oig.hhs.gov> until the entire 8 state review process is complete and all reports are final. The review process was constructed with the “ultimate objective of determining a nationwide payment error rate” and the construct requires that 8 state reviews be conducted and completed in order to establish that rate. Posting a state’s results without the larger nationwide context (the stated purpose of the review) will be confusing and misleading to the public. Additionally, an appendix should be added to the report detailing the precision percentage used, confidence levels, and methodology used in determining Ohio’s overall payment error rate.

As requested, the following are comments on the three recommendations for the State agency contained in the report as well as the status of any actions taken in response to the recommendations.

Recommendation 1: Use the results of this review to help ensure compliance with Federal and State TANF requirements by requiring its county office employees to verify eligibility information and to maintain appropriate documentation in all case files, particularly with respect to work participation.

ODJFS Response: Section 5107.05 of the Ohio Revised Code gives authority to ODJFS to adopt rules for the application and verification procedures for Ohio Works First (OWF), Ohio’s TANF cash assistance program. Ohio Administrative Code section 5101:1-1-13 requires County Departments of Job and Family Services (CDJFS) to maintain within the case record verification to substantiate a family’s eligibility and participation.

The Deficit Reduction Act specifically requires verification of work participation as well as internal controls to ensure established work verification procedures are being properly employed. ODJFS has established a monthly monitoring process to examine compliance and adherence to procedures by CDJFS.

A vast majority of cases determined to be in error were due to missing documentation to adequately verify a family’s eligibility and/or participation. Either just before or during the time period of this review, many CDJFS were transitioning from hard copy case documentation to electronic imaging. This transition may have contributed to the inability to locate documentation for the payment months in question.

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Additionally, of the ten cases determined to be eligibility and payment calculation errors, 4 were due to work participation requirements. In the middle of the review period (April 1, 2006 through March 31, 2007), significant changes were being rapidly implemented as a result of TANF reauthorization and the HHS issued TANF interim final regulations. The regulations resulted in significant changes that needed to be made by the CDJFS with respect to work participation, verification, and especially internal processes. During the review period, the CDJFS were just starting to implement these changes.

Recommendation 2: Determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible.

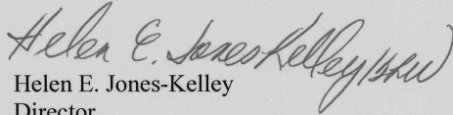
ODJFS Response: ODJFS will work with and monitor affected CDJFS to review eligibility of those recipients identified in this reviews as improperly enrolled in the TANF program. It should be noted that although incorrect during the month of this TANF review, corrected eligibility determinations have already been made on many cases at the county level. The OIG auditors conducting Ohio's review also noted correction of many cases subsequent to the review month.

Recommendation 3: Recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

ODJFS Response: ODJFS will work with and monitor affected CDJFS to recalculate assistance budgets for those recipients identified in this review as having improperly calculated payments. Again, it should be noted that although incorrect during the month of this TANF review, corrected eligibility determinations have already been made on many cases at the county level.

Thank you for the opportunity to respond to this report. If you have any questions or comments, please do not hesitate to contact Trudie Bormann, ODJFS Office of Family Stability, at (614) 644-1524 or via e-mail at Trudie.Bormann@jfs.ohio.gov.

Sincerely,


Helen E. Jones-Kelley
Director

c: Fred Williams, Assistant Director
Bob Ferguson, Chief Inspector
Jeanne Carroll, Deputy Director, Office of Family Stability
Paul Fraunholtz, Assistant Deputy Director, Office of Family Stability
Trudie Bormann, Chief, Bureau of County Oversight & Support, Office of Family Stability