



APR 23 2007

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

Report Number: A-01-06-02508

Ms. Carin Kale
Assistant Commissioner for Administration and Finance
Department of Transitional Assistance
600 Washington Street
Boston, Massachusetts 02111

Dear Ms. Kale:

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 Massachusetts for the Period April 1, 2001, Through March 31, 2005." A copy of this report will be forwarded to the HHS action official named 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).

Should you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through e-mail at gnedder@oig.hhs.gov. Please refer to report number A-01-06-02508.

Sincerely yours,

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

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures -- as stated

Page 2 – Ms. Carin Kale

Direct Reply to HHS Action Official:

Hugh Galligan
Regional Administrator
Administration of Children and Families – Region I
U. S. Department of Health and Human Services
JFK 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
MASSACHUSETTS FOR THE
PERIOD APRIL 1, 2001,
THROUGH MARCH 31, 2005**



Daniel R. Levinson
Inspector General

April 2007
A-01-06-02508

Office of Inspector General

<http://oig.hhs.gov>

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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. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 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. The Federal Government reimbursed States for at least half of the costs incurred for AFDC recipients who met eligibility requirements.

AFDC overpayments occurred when recipients received amounts to which they were not entitled. Although TANF has replaced AFDC, Federal regulations require States to pursue and collect overpayments made to former AFDC recipients so long as outstanding overpayments remain and to return the Federal share of any recovered overpayments to ACF.

OBJECTIVE

Our objective was to determine whether Massachusetts had reimbursed ACF for the Federal share of overpayments collected from former AFDC recipients, in accordance with Federal requirements.

SUMMARY OF FINDING

Massachusetts did not reimburse the full Federal share of AFDC overpayments that it collected from former AFDC recipients from April 1, 2001, through March 31, 2005, as Federal regulations require. Massachusetts refunded \$6,281,372 to ACF for the Federal share of AFDC collections. However, it should have refunded \$6,331,084. It incorrectly credited \$99,424 (\$49,712 Federal share) in AFDC overpayment recoveries to another program. Although Massachusetts had procedures for identifying and reimbursing the Federal share of overpayments made to former AFDC recipients, overpayments were sometimes incorrectly credited to a different program because of clerical oversights. As a result, Massachusetts owes the Federal Government \$49,712 for the Federal share of these overpayments.

RECOMMENDATIONS

We recommend that Massachusetts:

- reimburse ACF \$49,712 for its share of collected AFDC overpayments and
- continue to train staff to use the correct overpayment codes when recording overpayments.

AUDITEE'S COMMENTS

In its comments on our draft report, Massachusetts agreed with our finding and recommendations. Massachusetts' comments are included in their entirety in the appendix.

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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. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 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. The Federal Government reimbursed States for at least half of the costs incurred for AFDC recipients who met eligibility requirements.

Federal Reimbursement for Overpayments

AFDC overpayments occurred when recipients received amounts to which they were not entitled. Although TANF has replaced AFDC, Federal regulations require States to pursue and collect overpayments made to former AFDC recipients so long as outstanding overpayments remain and to return the Federal share of any recovered overpayments to ACF.

Before TANF replaced AFDC, States reported the Federal share of collected overpayments on Federal form ACF-231 and offset these amounts against future Federal financial participation in the AFDC program. When TANF block grants replaced AFDC reimbursements, States no longer had that reporting process to repay the Federal share of collected AFDC overpayments.

To address this problem, ACF issued program instructions in March 1999 and September 2000 requiring States to return the Federal share of collected AFDC overpayments directly to ACF.

Prior Audit of New England States' Overpayments

In 2001, we conducted an audit to determine whether each New England State had identified and returned the Federal share of collected AFDC overpayments. As a result of our review, the six New England States agreed to repay a total of \$13 million in collected AFDC overpayments. In August 2001, as part of this agreement, Massachusetts reimbursed ACF \$7.9 million, the Federal share of its AFDC overpayment collections.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Massachusetts had reimbursed ACF for the Federal share of overpayments collected from former AFDC recipients, in accordance with Federal requirements.

Scope

We reviewed the AFDC overpayments that Massachusetts collected and reimbursed to ACF from April 1, 2001, through March 31, 2005. We limited our review of internal controls to obtaining an understanding of the process that Massachusetts used to identify and collect AFDC overpayments.

We performed our fieldwork from July through December 2006 at the Region I ACF office in Boston, Massachusetts, and at the State office in Boston, Massachusetts.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, policies, and procedures pertaining to both AFDC and TANF;
- tested Massachusetts' internal controls for monitoring the collections process by reviewing both the computerized collections system and the procedures used to implement this system;
- tested all categories of overpayment transactions (e.g., checks received, recoupments, tax offsets) to determine whether the amount that the State had identified as the Federal share of reimbursements was reasonable; and
- interviewed Federal and State program officials.

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

FINDING AND RECOMMENDATIONS

Massachusetts did not reimburse the full Federal share of AFDC overpayments that it collected from former AFDC recipients from April 1, 2001, through March 31, 2005, as Federal regulations require. Massachusetts refunded \$6,281,372 to ACF for the Federal share of AFDC collections. However, it should have refunded \$6,331,084. It incorrectly credited \$99,424 (\$49,712 Federal share) in AFDC overpayment recoveries to another program. Although Massachusetts had procedures for identifying and reimbursing the Federal share of overpayments made to former AFDC recipients, overpayments were sometimes incorrectly credited to a different program because of clerical oversights. As a result, Massachusetts owes the Federal Government \$49,712 for the Federal share of these overpayments.

FEDERAL REQUIREMENTS

Title 45 of the Code of Federal Regulations, section 233.20, requires States to take all reasonable steps necessary to promptly correct any overpayments.

Specifically, 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 the Federal Government the Federal share of these recoveries Checks should be submitted to ACF no less frequently than quarterly."

OVERPAYMENTS NOT REIMBURSED

Massachusetts reimbursed ACF \$6,281,372 for the Federal share of AFDC collections from April 1, 2001, through March 31, 2005. The Federal share of AFDC overpayment recoveries that Massachusetts owed ACF for this period was \$6,331,084. Some recovered overpayments were credited to the wrong program. Of the incorrectly credited overpayments that Massachusetts collected from recipients:

- 613 overpayment collections from recipients who had received AFDC overpayments before October 1, 1996, were inadvertently offset to the TANF program. The total amount collected from these former AFDC recipients was \$453,547 (\$226,774 Federal share).
- 945 overpayment collections from recipients who had received TANF overpayments after October 1, 1996, were inadvertently credited to the AFDC program. The total amount collected from the TANF recipients was \$354,124 (\$177,062 Federal share).

As a result, Massachusetts owes ACF \$49,712 (\$226,774 - \$177,062) for the Federal share of these overpayments.

CAUSE OF STATE'S FAILURE TO REIMBURSE FEDERAL SHARE

Although Massachusetts had procedures for identifying and reimbursing the Federal share of overpayments made to former AFDC recipients, overpayments were sometimes miscoded to the incorrect programs because of clerical oversight. State officials informed us that the miscoding errors could have been avoided with better training and that Massachusetts is now educating current staff about the importance of using the correct program codes when recording overpayments.

RECOMMENDATIONS

We recommend that Massachusetts:

- reimburse ACF \$49,712 for its share of collected AFDC overpayments and
- continue to train staff to use the correct overpayment codes when recording overpayments.

AUDITEE'S COMMENTS

In its comments on our draft report, Massachusetts agreed with our finding and recommendations. Massachusetts' comments are included in their entirety in the appendix.

APPENDIX



Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Transitional Assistance
600 Washington Street • Boston MA 02111

DEVAL L. PATRICK
Governor

TIMOTHY P. MURRAY
Lieutenant Governor

JUDYANN BIGBY, M.D.
Secretary

JOHN A. WAGNER
Commissioner

April 5, 2007

Michael J. Armstrong
Regional Inspector General for Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203

Dear Mr. Armstrong:

I am writing in response to the March 19, 2007 U.S. Department of Health and Human Service, Office of Inspector General (OIG) draft report entitled "Review of the Aid to Families With Dependent Children Overpayments in Massachusetts for the period April 1, 2001 through March 31, 2005."

The Department of Transitional Assistance (DTA) has reviewed the report and the recommendation mandated by the OIG and we concur with the findings and recommendations.

The following are corrective actions that have been taken or are proposed as a result of the review:

- 1) Reimburse ACF \$49,712 for its share of collected AFDC overpayments

Action:

By April 20, 2007 DTA will contact ACF and arrange a schedule and process reimbursement of \$49,712 of collected AFDC overpayments.

- 2) Continue to train staff to use the correct overpayment codes when recording overpayments.

Action:

The DTA office of Administration and Finance reorganization launched in 2004 centralized the overpayment referral process. This change has increased the control structure and oversight in order check the reliability of the coding of the referrals.

J. Armstrong
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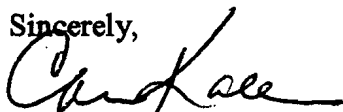
Existing staff has been trained and any new staff will be trained to emphasize the significance of proper program coding of referrals.

DTA will continue to train current staff and new employees, monitor and evaluate the process to ensure continued integrity of the code validation process.

We are grateful for the helpful suggestions that the OIG staff made to improve our operations.

Please direct any questions to Sehin Mekuria at 617-348-8535.

Sincerely,

A handwritten signature in cursive script that reads "Carin Kale". The signature is written in black ink and is positioned above the printed name.

Carin Kale
Assistant Commissioner for Administration and Finance