



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

October 22, 2007

Report Number: A-02-07-02004

Mr. David A. Hansell
Commissioner
New York State Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, New York 12243

Dear Mr. Hansell:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Follow-up Review of the Aid to Families With Dependent Children Overpayment Recoveries Collected by Chemung, Erie, Monroe, Nassau, and Suffolk Counties." We will forward a copy of this report 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 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, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please contact John Madigan, Audit Manager, at (518) 437-9390, extension 224, or through e-mail at John.Madigan@oig.hhs.gov. Please refer to report number A-02-07-02004 in all correspondence.

Sincerely,

James P. Edert
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Clinton McGrane
Grants Officer
Department of Health and Human Services
Administration for Children & Families
26 Federal Plaza, Room 4114
New York, New York 10278

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FOLLOW-UP REVIEW OF THE AID
TO FAMILIES WITH DEPENDENT
CHILDREN OVERPAYMENT
RECOVERIES COLLECTED BY
CHEMUNG, ERIE, MONROE,
NASSAU, AND SUFFOLK
COUNTIES**



Daniel R. Levinson
Inspector General

October 2007
A-02-07-02004

Office of Inspector General

<http://oig.hhs.gov>

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EXECUTIVE SUMMARY

BACKGROUND

In 1996, the Temporary Assistance for Needy Families (TANF) program replaced the Aid to Families with Dependent Children (AFDC) program. Although States had until July 1, 1997, to implement TANF, AFDC benefits were eliminated effective October 1, 1996. Occasionally, while the program was still in place, individuals or families received AFDC benefits to which they were not entitled. States were required to refund the Federal share of AFDC overpayment recoveries to the Federal Government, regardless of when the recoveries were collected.

This audit is a follow-up to a prior audit report (A-02-02-02001) entitled “Review of the Aid to Families With Dependent Children Overpayment Recoveries Collected by Chemung, Erie, Monroe, Nassau, and Suffolk Counties,” issued to the New York State’s Office of Temporary and Disability Assistance (the State agency), on January 31, 2003. The State agency agreed with the finding that it did not return to the Federal Government the Federal share of AFDC overpayment recoveries collected by Chemung, Erie, Monroe, Nassau, and Suffolk counties (the local districts) after December 1, 1996, and concurred with our recommendation to refund the estimated Federal share of AFDC overpayments totaling \$1,784,095 recovered by the local districts during the period December 1, 1996, through April 30, 2002. Moreover, although they objected to the recommendation seeking amounts to be repaid to ACF for overpayment recoveries collected after April 30, 2002, State agency officials agreed to work with ACF officials to arrive at an acceptable statewide refund amount.

OBJECTIVE

The objective of our follow-up review was to determine if the State agency refunded the Federal share of AFDC overpayment recoveries collected by the local districts during the period December 1, 1996, through April 30, 2002, and took appropriate steps to ensure that subsequent overpayment recoveries collected during the period May 1, 2002, through January 31, 2007, were also refunded.

SUMMARY OF FINDINGS

Federal requirements provide that States refund the Federal share of AFDC overpayment recoveries to the Federal Government, regardless of when the recoveries were collected. The State agency refunded to the Federal Government the estimated Federal share of AFDC overpayments totaling \$1,784,095 recovered by the local districts during the period December 1, 1996, through April 30, 2002, as recommended in our prior audit report. However, the State agency did not implement our recommendation to ensure that the Federal share of AFDC overpayment recoveries collected by the local districts subsequent to April 30, 2002, were returned to the Federal Government in a timely manner. As a result, the State agency did not refund the estimated Federal share of AFDC overpayments totaling \$347,375 recovered by the local districts during the period May 1, 2002, through January 31, 2007. This occurred because the State agency did not work with ACF officials to identify a statewide refund amount or

develop procedures to identify AFDC overpayment recoveries to be refunded to the Federal Government.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$347,375 to the Federal Government, and
- take appropriate steps to ensure that the Federal share of AFDC overpayment recoveries collected by the local districts subsequent to January 31, 2007, are refunded to the Federal Government in a timely manner.

STATE AGENCY'S COMMENTS

In response to our draft report, State agency officials did not dispute the estimate of \$347,375 of AFDC overpayment recoveries that were not refunded to the Federal Government. However, the State agency objected to the necessity for any refund calculation beyond January 31, 2007, since the results of the follow-up review confirmed a diminishing amount of AFDC overpayment recoveries. The State agency further indicated that administrative costs required to implement system changes would likely exceed the benefit derived from identifying an insignificant and diminishing amount of AFDC recoveries. The State agency's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing applicable Federal and State laws, regulations, and guidelines, and the State's comments on our draft report, we continue to believe that our findings and recommendations are valid.

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INTRODUCTION

BACKGROUND

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, in part, to encourage the care of dependent children of low-income families in their own homes. Under the AFDC program, individuals or families that met eligibility criteria were entitled to receive assistance without regard to time limit and the Federal Government provided an open-ended matching of State expenditures. In 1996, the Temporary Assistance for Needy Families (TANF) program replaced the AFDC program. Under TANF, the open-ended matching of State expenditures was replaced by a capped block grant. Although States had until July 1, 1997 to implement TANF, individual and family entitlements to AFDC benefits were eliminated effective October 1, 1996. Within the Department of Health and Human Services, the Administration for Children and Families (ACF) administers the AFDC and TANF programs.

New York State's Aid to Families With Dependent Children Program

In New York State, the Office of Temporary and Disability Assistance (the State agency) administered the AFDC program. The State agency used the Cash Management System (CAMS), a computerized payment and information reporting system, to record eligibility, process and pay AFDC assistance benefits, and identify overpayments and collections. On a quarterly basis, the State agency is required to refund the Federal share of all identified AFDC overpayment recoveries to the Federal Government. Day-to-day responsibilities for operating the AFDC program were delegated to local district agencies.

Local Districts' Aid to Families With Dependent Children Program

Chemung, Erie, Monroe, Nassau, and Suffolk counties (the local districts) were responsible for daily administration of the AFDC program, including determining eligibility and calculating monthly assistance. In addition, they were responsible for maintaining eligibility and benefit payment information for all recipients on the State-operated CAMS. Occasionally, individuals or families received AFDC benefits to which they were not entitled. When an overpayment was identified, the local districts established an overpayment file on the CAMS, which contained the case number, type of overpayment and balance owed.

For overpayments associated with cases when the recipient was still receiving financial assistance, the local districts reduced future monthly benefits until the amount owed was recouped. For overpayments associated with cases when the recipient was no longer receiving financial assistance, the local districts attempted to contact the recipient and collect a cash recovery. Recoveries, in the form of recoupments and cash collections, were posted to the

overpayment file on CAMS. On a monthly basis, the local districts used data in the CAMS overpayment file to report recoveries to the State agency.

Federal Requirements Related to the Collection of Aid to Families With Dependent Children Program Overpayments

Federal regulations (45 CFR § 233.20 (a)(13)) require States to pursue recovery efforts for AFDC overpayments. In addition, on September 1, 2000, ACF issued program instructions (ACF-PI-2000-2) to clarify the proper treatment of AFDC overpayment recoveries. According to these instructions, for overpayments that occurred prior to October 1, 1996, States were required to refund to the Federal Government the Federal share of recoveries, regardless of the fiscal year in which the recoveries were collected. In contrast, for overpayments that occurred after October 1, 1996, States were allowed to retain the Federal share of recoveries for use under the TANF program.

Prior Office of Inspector General Audit Report

This audit is a follow-up to a prior audit report (A-02-02-02001) entitled “Review of the Aid to Families With Dependent Children Overpayment Recoveries Collected by Chemung, Erie, Monroe, Nassau, and Suffolk Counties,” issued to the State agency on January 31, 2003.¹ The report found that the State agency had not returned to the Federal Government the Federal share of AFDC overpayment recoveries collected by the local districts after December 1, 1996. We recommended that the State agency refund the estimated Federal share of AFDC overpayments totaling \$1,784,095 recovered by the local districts during the period December 1, 1996, through April 30, 2002. We also recommended that the State agency work with ACF officials to ensure the Federal share of AFDC overpayment recoveries, collected by the local districts subsequent to April 30, 2002, were returned to the Federal Government in a timely manner. The State agency agreed to refund the \$1,784,095. Moreover, although they objected to the necessity for any refund calculation beyond April 30, 2002, State agency officials agreed to work with ACF officials to arrive at an acceptable statewide refund amount.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of our follow-up review was to determine if the State agency refunded the Federal share of AFDC overpayment recoveries collected by the local districts during the period December 1, 1996, through April 30, 2002, and took appropriate steps to ensure that subsequent overpayment recoveries collected during the period May 1, 2002, through January 31, 2007, were also refunded.

¹New York City (A-02-01-02000) and these five upstate counties were originally selected because they represented approximately 97 percent of New York State’s uncollected AFDC overpayment balance as of October 1, 1996.

Scope

Our follow-up audit reviewed the State agency's refund of the estimated Federal share of AFDC overpayments totaling \$1,784,095 recovered by the local districts during the period December 1, 1996, through April 30, 2002. The review also covered the identification and refund of AFDC overpayment recoveries collected by the local districts during the period May 1, 2002, through January 31, 2007. We did not review the overall internal control structure of the State agency. Rather, we reviewed the State agency's procedures relevant to the objectives of the audit.

We performed our fieldwork at the State agency's offices located in Albany, New York.

Methodology

To accomplish our objective we:

- analyzed applicable Federal and State laws, regulations, and guidelines;
- held discussions with State agency officials to identify what actions had been taken on the two recommendations contained in our previous audit report;
- held discussions with State agency officials to ascertain policies and procedures for identifying and refunding AFDC overpayment recoveries;
- identified a universe of 19,228 public assistance cases;
- selected the same random sample of 300 public assistance cases used during our prior audit, which covered the period October 1, 1996, through April 30, 2002;
- calculated for each sample item the Federal share of recoveries collected during the period May 1, 2002, through January 31, 2007; and
- used a variable appraisal program to estimate the Federal share of overpayment recoveries to be refunded to the Federal Government in the universe of 19,228 public assistance cases. The details of our sample design and methodology are found in Appendix A.

Our review was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Federal requirements provide that States refund the Federal share of AFDC overpayment recoveries to the Federal Government, regardless of when the recoveries were collected. The State agency refunded to the Federal Government the estimated Federal share of AFDC overpayments totaling \$1,784,095 recovered by the local districts during the period December 1, 1996, through April 30, 2002, as recommended in our prior audit report. However, the State agency did not implement our recommendation to ensure that the Federal share of AFDC overpayment recoveries collected by the local districts subsequent to April 30, 2002 were returned to the Federal Government in a timely manner. As a result, the State agency did not refund the estimated Federal share of AFDC overpayments totaling \$347,375 recovered by the local districts during the period May 1, 2002, through January 31, 2007. This occurred because the State agency did not work with ACF officials to identify a statewide refund amount or develop procedures to identify AFDC overpayment recoveries to be refunded to the Federal Government.

Follow-up on Prior Audit Recommendation #1

In our previous audit report, we recommended that the State agency refund \$1,784,095 to the Federal Government. This amount was the estimated Federal share of AFDC overpayments recovered by the local districts during the period December 1, 1996, through April 30, 2002.

In comments dated December 18, 2002, the State agency agreed to refund the Federal share of these overpayment recoveries. The State agency subsequently refunded \$1,784,095 to the Federal Government.

Follow-up on Prior Audit Recommendation #2

In our previous audit report, we recommended that the State agency work with ACF officials to ensure that the Federal share of AFDC overpayment recoveries collected by the local districts subsequent to April 30, 2002 were returned to the Federal Government in a timely manner.

In comments dated December 18, 2002, State agency officials objected to the necessity for any refund calculation beyond April 30, 2002, but agreed to work with ACF officials to arrive at an acceptable statewide refund amount.

Following our prior audit, the State agency contacted ACF officials but did not identify a statewide refund amount or develop procedures to identify AFDC overpayment recoveries to be refunded to the Federal Government. Although the local districts used data in CAMS to report recoveries to the State agency, the CAMS did not identify whether the recovery was for an AFDC overpayment (with a Federal share) or for a TANF overpayment (without a Federal share). State agency officials reiterated their position that modifying the CAMS to pursue diminishing AFDC overpayment recoveries would create an overly onerous administrative burden.

However, Federal requirements provide that States refund the Federal share of AFDC overpayment recoveries to the Federal Government, regardless of when the recoveries were collected. Of the 300 public assistance cases in our sample, 31 were AFDC recoveries collected during the period May 1, 2002, through January 31, 2007. Recoveries were not made during our audit period for the remaining 269 sample items. Based on the sample results, we estimate that the State agency did not refund the Federal share of AFDC overpayments totaling \$347,375 recovered by the local districts during the period May 1, 2002, through January 31, 2007. The details of our sample results and appraisal are shown in Appendix B.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$347,375 to the Federal Government, and
- take appropriate steps to ensure that the Federal share of AFDC overpayment recoveries collected by the local districts subsequent to January 31, 2007, are refunded to the Federal Government in a timely manner.

STATE AGENCY'S COMMENTS

In response to our draft report, State agency officials did not dispute the estimate of \$347,375 of AFDC overpayment recoveries that were not refunded to the Federal Government. However, the State agency objected to the necessity for any refund calculation beyond January 31, 2007, since the results of the follow-up review confirmed a diminishing amount of AFDC overpayment recoveries. The State agency further indicated that administrative costs required to implement system changes would likely exceed the benefit derived from identifying an insignificant and diminishing amount of AFDC recoveries. The State agency's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing applicable Federal and State laws, regulations, and guidelines, and the State's comments on our draft report, we continue to believe that our findings and recommendations are valid.

APPENDIXES

SAMPLE DESIGN AND METHODOLOGY

Audit Objective:

The objective of our follow-up review was to determine if the State agency refunded the Federal share of AFDC overpayment recoveries collected by the local districts during the period December 1, 1996, through April 30, 2002, and took appropriate steps to ensure that overpayment recoveries collected during the period May 1, 2002, through January 31, 2007, were also refunded.

Population:

The population consisted of public assistance cases which had a budgeted recoupment greater than zero as of December 1996 and a budgeted 'from date' of 1996 or 1997.

Sampling Frame:

The sampling frame was an ACCESS file that contained 19,228 public assistance case numbers that had a budgeted recoupment greater than zero as of December 1996 and a budgeted 'from date' of 1996 or 1997. The sampling frame was the same as the target population.

Sample Unit:

The sample unit was an individual public assistance case. We reviewed all AFDC overpayments associated with each sample case.

Sample Design:

We used a simple random sample to evaluate the population of AFDC overpayment recoveries for public assistance cases.

Sample Size:

A sample of 300 cases was selected.

Source of Random Numbers:

The random numbers were previously generated using the OAS Statistical Sampling Software (RAT-STATS) random number generator, dated September 2001.

Method of Selecting Sample Items:

The cases in the sampling frame were numbered sequentially. The random numbers were correlated to the sequential numbers assigned to each case number in the sampling frame. A list of 300 sample items was created.

Characteristics To Be Measured:

An error, as defined in our review, was the Federal share of AFDC overpayments recovered during the period May 1, 2002, through January 31, 2007.

Treatment of Missing Sample Items:

If supporting information from the Cash Management System could not be found, the sample item was considered to be an error.

Estimation Methodology:

We used the variable appraisal program in RAT-STATS 2007, version 1, to appraise the sample results. We used the lower limit at the 90 percent confidence interval to estimate overpayment recoveries to be repaid to the Federal Government.

SAMPLE RESULTS AND APPRAISAL

The results of our review of the 300 public assistance cases were as follows:

| | | | |
|--------|-----|----|---------|
| | | | |
| 19,228 | 300 | 31 | \$8,969 |

**Projection of Sample Results
(Precision at the 90 Percent Confidence Level)**

Midpoint: \$574,882
Lower Limit: \$347,375
Upper Limit: \$802,389



APPENDIX C

NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NEW YORK 12243-0001

Eliot Spitzer
Governor

David A. Hansell
Commissioner

October 5, 2007

Mr. James P. Edert
Regional Inspector General for Audit Services
Department of Health and Human Services
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

Re: Report Number A-02-07-02004

Dear Mr. Edert:

This is in response to your letter of September 5, 2007 and draft report entitled, "Follow-up Review of the Aid to Families with Dependent Children Overpayment Recoveries Collected by Chemung, Erie, Monroe, Nassau, and Suffolk Counties." We agree with the methodology and performance of the review and do not dispute the estimate of \$347,375 in Federal share of Aid to Families with Dependent Children (AFDC)) overpayments recoveries for the period of May 1, 2002 through January 31, 2007 that was not refunded to the Federal Government. This amount will be refunded to the Federal Government as recommended in the draft report.

We do continue to object to the necessity for any refund calculation beyond January 31, 2007, especially since the results of this follow-up review confirm the diminishing amount of AFDC overpayment recoveries. As noted in the draft report, the estimated Federal Share of AFDC overpayments recovered by the noted counties during the 65-month period of December 1, 1996 through April 30, 2002 totaled \$1,784,095 while the follow-up review estimated \$347,375 in Federal Share of AFDC overpayments recovered for the 57-month period of May 1, 2002 through January 31, 2007. The administrative costs to implement system changes to capture this data would likely exceed the benefit derived from identifying an insignificant amount of AFDC recoveries. Therefore we ask that this recommendation be eliminated from the final report.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "James White".

James White, Director
Bureau of Audit & Quality Improvement