



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

SEP 16 2008

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 Minnesota for April 1, 2006, Through March 31, 2007 (A-07-07-01045)

Attached is an advance copy of our final report on improper Temporary Assistance for Needy Families (TANF) basic assistance payments in Minnesota for April 1, 2006, through March 31, 2007. We will issue this report to the Minnesota Department of Human 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 or on behalf of 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. The State agency adequately documented eligibility and payment determinations and accurately reported basic assistance expenditures to ACF.

We did not identify any errors in 136 of the 150 payments in our statistical sample. However, the remaining 14 payments were improper because the recipient families were ineligible for TANF basic assistance or because the State agency improperly calculated the payments. Based on our sample results, we estimated that the overall TANF improper payment rate was

5.5 percent of the Federal dollars expended and 9.3 percent of the number of basic assistance payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$4,848,437 (Federal share) for 28,447 overpayments.

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by (1) reemphasizing to recipients the need to provide accurate and timely information, (2) requiring its employees to verify eligibility information, and (3) applying required sanctions;
- 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 payments for all recipients identified in this review as having received improperly calculated payments.

In written comments on our draft report, the State agency agreed with our recommendations and provided information on steps that it had already taken.

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 Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591 or through e-mail at Patrick.Cogley@oig.hhs.gov. Please refer to report number A-07-07-01045.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

SEP 23 2008

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number: A-07-07-01045

Mr. Cal R. Ludeman
Commissioner
Minnesota Department of Human Services
P.O. Box 64998
St. Paul, Minnesota 55104-0998

Dear Mr. Ludeman:

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 Minnesota 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 Chris Bresette, Audit Manager, at (816) 426-3591 or through e-mail at Chris.Bresette@oig.hhs.gov. Please refer to report number A-07-07-01045 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

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
MINNESOTA FOR APRIL 1, 2006,
THROUGH MARCH 31, 2007**



Daniel R. Levinson
Inspector General

September 2008
A-07-07-01045

Office of Inspector General

<http://oig.hhs.gov>

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

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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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THIS REPORT IS AVAILABLE TO THE PUBLIC
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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 and resource 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 Minnesota, the Department of Human Services (the State agency) administers the TANF program through its 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 304,790 monthly basic assistance payments totaling \$104,168,618 (\$88,543,325 Federal share) to or on behalf of 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 or on behalf of 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. The State agency adequately documented eligibility and payment determinations and accurately reported basic assistance expenditures to ACF.

We did not identify any errors in 136 of the 150 payments in our statistical sample. However, the remaining 14 payments were improper because the recipient families were ineligible for TANF basic assistance or because the State agency improperly calculated the payments. Based on our

sample results, we estimated that the overall TANF improper payment rate was 5.5 percent of the Federal dollars expended and 9.3 percent of the number of basic assistance payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$4,848,437 (Federal share) for 28,447 overpayments.

RECOMMENDATIONS

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by (1) reemphasizing to recipients the need to provide accurate and timely information, (2) requiring its employees to verify eligibility information, and (3) applying required sanctions;
- 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 payments for all recipients identified in this review as having received improperly calculated payments.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our recommendations and provided information on steps that it had already taken. 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.

Minnesota's Temporary Assistance for Needy Families Program

In Minnesota, the Department of Human Services (the State agency) administers the TANF program through its county offices. During our audit period, the State agency used a computerized system, MAXIS, to process, pay, and track TANF basic assistance benefits. Under the Minnesota Family Investment Program (MFIP), the amounts paid to recipient families consist of both TANF basic assistance and food support.³

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 85 percent of its basic assistance expenditures from the Federal TANF block grant, and the State agency paid the remaining 15 percent.

The State agency requires individuals to submit written applications for TANF basic assistance. The State agency's county offices review the applications and determine whether individuals meet TANF eligibility requirements. For each applicant determined eligible, the State agency enters applicant information in MAXIS to process the assistance payment to the family. As part of the application process, the applicant must attend TANF assistance orientation classes, which inform the applicant of his or her responsibility to notify the State agency of any changes that might affect eligibility or payment status. Pursuant to Minnesota Statutes (MINN. STAT. § 256J.30, subdivision 9), the applicant also must submit a monthly report to inform the State agency of any updated information necessary to redetermine the individual's eligibility.

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).

³The State agency administers MFIP food support through U.S. Department of Agriculture grants and State funds. Food support payments were not a part of this review.

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

In addition, the Minnesota State plan; MINN. STAT., Chapter 256J; and State guidance establish TANF basic assistance requirements. The State plan incorporates Federal requirements and establishes all other eligibility requirements, such as income and resource levels and standards of need,⁴ 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 or on behalf of 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 Minnesota TANF program. Rather, we reviewed the State agency's procedures relevant to the objectives of the audit.

We performed fieldwork from August through December 2007 at the State agency in St. Paul, Minnesota.

Methodology

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, and other requirements related to TANF basic assistance eligibility and payment amounts;

⁴The State plan sets the standard of need based on the number of household members and uses the standard to determine eligibility for TANF basic assistance (the Minnesota State plan, Attachment C, and MINN. STAT. § 256J.24).

- held discussions 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 MAXIS;
- combined all payments to each recipient family in a month and obtained a universe of 304,790 monthly payments totaling \$104,168,618 (\$88,543,325 Federal share);
- validated the universe of payments, including reported expenditures; and
- selected a simple random sample of 150 payments from the universe of 304,790 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 State agency 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 Minnesota by checking driver's licenses, rental agreements, 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) and matched information in the U.S. Citizenship and Immigration Services' Systematic Alien Verification for Entitlements Program and the Social Security Administration's Numerical Identification File;
- the recipient family's income and resources were at or below the thresholds required to be eligible for TANF basic assistance on the payment date selected by reviewing information from the case file, MAXIS, and the State Department of Employment and Economic Development wage and resource system, including the Supplemental Security Income

State Data Exchange, the State Wages database, and the Unemployment Compensation database;

- no member of the recipient family had a drug-related felony or 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 Division of Child Support Enforcement;
- 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 MAXIS; and
- the parent or caretaker in the recipient family met work requirements by reviewing the case file.

We estimated, for the total universe of 304,790 TANF monthly basic assistance payments, the total Federal dollar value of payments with eligibility or calculation 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. The State agency adequately documented eligibility and payment determinations and accurately reported basic assistance expenditures to ACF.

Of the 150 payments in our statistical sample, 14 payments totaling \$2,386 (Federal share) were improper because the recipient families were ineligible for TANF basic assistance or because the State agency improperly calculated the payments. We did not identify any errors in the remaining 136 payments.

Based on our sample results, we estimated that the overall TANF improper payment rate was 5.5 percent of the Federal dollars expended and 9.3 percent of the number of basic assistance

payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$4,848,437 (Federal share) for 28,447 overpayments.

IMPROPER PAYMENTS

The table below summarizes the eligibility and payment calculation errors noted in the 14 improper payments in our sample.

Summary of Improper Payments		
Type of Error	Improper Federal Payments	No. of Improper Payments
Recipient families were ineligible:		
Time limit exceeded	\$655	2
Noncompliance with work requirements	265	1
Income threshold exceeded on payment date	<u>198</u>	<u>1</u>
Subtotal	\$1,118	4
Payments were calculated improperly:		
Noncompliance with work requirements	\$535	5
Incorrect household income	668	4
Incorrect budget calculation	<u>65</u>	<u>1</u>
Subtotal	<u>\$1,268</u>	<u>10</u>
Total	\$2,386	14

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

Recipient Families Were Ineligible

Pursuant to Federal regulations (45 CFR § 264.1(a)(1)), no State may use its Federal TANF funds to provide assistance to a family that includes an adult head of household or a spouse of the head of household who has received Federal assistance for a total of 5 years (60 cumulative months, whether or not consecutive). MINN. STAT. § 256J.42, subdivision 1, states that unless a recipient has good cause, a recipient family in which any caregiver has received 60 months of cash assistance funded in whole or in part by the TANF block grant is ineligible to receive MFIP assistance.

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. Section 407(e) of the Act provides that if a TANF recipient refuses to meet work requirements, the State must either (1) reduce the amount of assistance to the family pro rata (or more at the option of the State) for any month that the recipient fails to meet work requirements or (2) terminate assistance. A reduction or termination of assistance is subject to any good cause or

other exceptions that the State may establish (45 CFR § 261.14(a)). MINN. STAT. § 256J.561, subdivision 2, states that all MFIP caregivers, except for those who meet the criteria established in subdivision 3, are required to participate in employment services. Subdivision 3 states that a participant may be exempt from work participation if the participant is the parent or caregiver of a child under 12 weeks of age.

MINN. STAT. § 256J.521, subdivision 2, states that the job counselor and TANF recipient must develop and sign an employment plan that includes participation in activities and hours that meet State requirements. Failure to develop or comply with the plan activities or voluntarily quitting suitable employment without good cause will result in the imposition of a sanction under § 256J.46. When a recipient family receives its seventh sanction, the family is no longer eligible for TANF assistance (MINN. STAT. § 256J.46, subdivision 1(d)).

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.

MINN. STAT. § 256J.21 requires that the State agency determine ongoing eligibility and payment amounts according to a monthly income test. To be eligible, a recipient's standard of need must be greater than his or her gross income less income disregards.⁵ In addition, the standard of need must be reduced based on any unearned income that the recipient receives. If the monthly income is greater than the MFIP standard of need after deductions, the State agency must suspend the assistance payment for the payment month.

Of the 150 sampled payments, 4 payments totaling \$1,118 (Federal share) were made to or on behalf of recipient families who did not meet Federal and State eligibility requirements:

- For two overpayments totaling \$655 (Federal share), the recipient families had received TANF cash assistance for more than 60 months. The recipients' case files did not contain documentation showing that the recipients had applied for or been granted a hardship extension.
- For one overpayment totaling \$265 (Federal share), the recipient family did not comply with work participation requirements and did not qualify for an exemption from the State agency. According to State law requirements, the State agency should have issued a seventh sanction to this family, which would have rendered the family ineligible for TANF assistance.

⁵Income disregards refer to income that is not counted when determining eligibility and calculating the payment amount.

- For one overpayment totaling \$198 (Federal share), the recipient family's income exceeded the TANF basic assistance income threshold on the payment date.

Payments Were Calculated Improperly

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)). Under MINN. STAT. § 256J.55, all caregivers, unless exempt, must participate in employment services, modified or otherwise, while receiving MFIP assistance.

MINN. STAT. § 256J.521, subdivision 2, states that failure to develop or comply with employment plan activities or voluntarily quitting suitable employment without good cause will result in the imposition of a sanction under § 256J.46. Pursuant to § 256J.46, a recipient who fails without good cause to meet plan requirements is subject to a sanction. For the first occurrence of noncompliance, the State agency must reduce the TANF payment by 10 percent. For the second through sixth occurrences, the State agency must reduce the payment by 30 percent.

MINN. STAT. § 256J.21 states that the State agency must determine ongoing eligibility and payment amounts according to a monthly income test. To be eligible, a recipient's standard of need must be greater than his or her gross income less income disregards. In addition, the standard of need must be reduced based on any unearned income that the recipient receives. Minnesota's "Combined Manual," section 0022.12, states that any remaining amount is the MFIP grant amount. The MFIP grant amount is then reduced for recoupment of overpayments and food support. Any remaining amount represents the TANF basic assistance payment.

Of the 150 sampled payments, 10 payments totaling \$1,268 (Federal share) were made to or on behalf of recipient families who were eligible for basic assistance but for whom payments were calculated improperly:

- For five overpayments totaling \$535 (Federal share), the State agency did not apply sanctions, which would have reduced the payments by 10 or 30 percent, for recipients who did not comply with work requirements and who did not qualify for an exemption.
- For four overpayments totaling \$668 (Federal share), the State agency did not include earned and unearned income in the monthly income tests used to determine payment amounts.
- For one overpayment of \$65 (Federal share), the State agency made a computational error in the monthly income test.

CONCLUSION

Some of the sampled payments did not meet Federal and State eligibility or payment requirements. For these payments, (1) recipient families did not fully disclose information at the time of application or eligibility redetermination and did not notify the State agency of changes in financial situation or other changes affecting eligibility, (2) the State agency did not verify all information provided to support applications, or (3) the State agency did not apply required sanctions.

Based on our sample results, we estimated that the TANF improper payment rate was 5.5 percent of the Federal dollars expended and 9.3 percent of the number of basic assistance payments made for the 1-year audit period. Specifically, we estimated that the State agency paid \$4,848,437 (Federal share) for 28,447 overpayments. (See Appendix D for details on our sample results and estimates.)

We are not recommending recovery of the overpayments identified in this report primarily because ACF decided to assess penalties⁶ 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 (1) reemphasizing to recipients the need to provide accurate and timely information, (2) requiring its employees to verify eligibility information, and (3) applying required sanctions;
- 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 payments for all recipients identified in this review as having received improperly calculated payments.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our recommendations and provided information on steps that it had already taken. 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 sanction 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.

⁶Penalties are set forth in section 409 of the Act.

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**

- Minnesota Statutes (MINN. STAT.) § 256J.09 establishes that the Minnesota Department of Human Services (the State agency) will determine public assistance eligibility for all household members.
- MINN. STAT. § 256J.09, subdivision 1, requires that a State-prescribed written application be completed for each case.
- MINN. STAT. § 256J.13 states that to receive family assistance, a family must include (1) a minor child who resides with a custodial parent or another adult caretaker or (2) a pregnant woman.
- MINN. STAT. § 256J.08, subdivision 11, defines a “caregiver” as a minor’s natural or adoptive parent or stepparent who lives in the home with the minor child. In addition, “caregiver” means a legal custodian or guardian; a grandparent; a brother or sister; a half-brother or half-sister; a stepbrother or stepsister; an uncle or aunt; a first cousin or first cousin once removed; a nephew or niece; a person from a preceding generation denoted as “great,” “great-great,” or “great-great-great,” or a spouse of any person named in the above groups even after the marriage ends by death or divorce.
- MINN. STAT. § 256J.75, subdivision 2, states that when a minor child moves from one county to another to reside with a different caregiver, the caregiver in the former county is eligible to receive assistance for that child only through the last day of the month of the move. The caregiver in the new county becomes eligible to receive assistance for the child on the first day of the month following the move or the date of application, whichever is later.
- Pursuant to MINN. STAT. §§ 256J.11-15, 20, and 21, eligibility for family assistance must be determined based on citizenship, financial need, age, welfare of the child or minor, residence in the State, living arrangements, relationship of the child to the caregiver, and applicable durational time limits. Applicants must be advised that a Social Security number is required for each person in the public assistance household and that the Social Security number will be used in administering the State’s family assistance program.¹
- MINN. STAT. § 256J.45 states that applicants must be advised of the requirement to comply with the Child Support Enforcement Program and with work requirements.
- MINN. STAT. § 256J.08, subdivision 60, defines a “minor child” as a child who lives in the home of a parent or another caregiver, is not the parent of a child in the home, and is either under 18 years of age or under 19 years of age and a full-time student in a

¹The family assistance program is the State agency’s temporary assistance program for families. The program is subject to Federal TANF rules and is funded with Federal and State money.

secondary school or pursuing a full-time secondary level course of vocational or technical training designed to fit students for gainful employment.

- MINN. STAT. § 256J.20 specifies that the maximum amount of assets that a family may own and still qualify for assistance is \$2,000 for an initial assessment and \$5,000 for ongoing cases. However, the family is allowed one automobile valued up to \$7,500 (loan value).
- MINN. STAT. § 256J.21 requires that the State agency determine ongoing eligibility and payment amounts according to a monthly income test. To be eligible, a recipient's Minnesota Family Investment Program (MFIP) standard of need must be greater than his or her gross income less income disregards.² In addition, the MFIP standard of need must be reduced based on any unearned income that the recipient receives. Any remaining amount represents the MFIP grant amount.
- Minnesota's "Combined Manual," section 0022.12, states that the MFIP grant amount must be reduced for recoupment of overpayments and food support. Any remaining amount represents the TANF basic assistance payment.
- MINN. STAT. § 256J.21, subdivision 2(19), states that Supplemental Security Income (SSI), including retroactive SSI payments and other income of an SSI recipient, must be excluded from income. Pursuant to § 256J.24, subdivision 3(1), SSI recipients must be excluded from the recipient family.
- MINN. STAT. § 256J.521, subdivision 2, states that the job counselor and TANF recipient must develop and sign an employment plan that includes participation in activities and hours that meet State requirements. Failure to develop or comply with the plan activities or voluntarily quitting suitable employment without good cause will result in the imposition of a sanction under § 256J.46. When a recipient family receives its seventh sanction, the family is no longer eligible for TANF assistance.
- MINN. STAT. § 256J.46 states that a public assistance recipient who refuses or fails without good cause to comply with employment requirements must be sanctioned through a prorated reduction of the assistance grant.
- MINN. STAT. § 256J.55 states that all caregivers, unless exempt, must participate in employment services, modified or otherwise, while receiving MFIP assistance.
- MINN. STAT. § 256J.561, subdivision 2, states that a caregiver must comply with specialized or modified work activities if he or she is determined to be (1) 60 years of age or older; (2) ill or injured to the extent that, as determined by a qualified professional, he or she is unable to engage in work activities for 30 days or more, including a pregnant

²Income disregards refer to income that is not counted when determining eligibility and calculating the payment amount.

recipient who is unable to obtain or retain employment; (3) under the age of 18 or under the age of 20 and attending a secondary, vocational, or technical school full time; (4) disabled or incapacitated; or (5) needed in the home because another household member is mentally or physically impaired, as determined by a qualified professional, and requires his or her presence.

- MINN. STAT. § 256J.561, subdivision 3(a), states that the parent or other caretaker relative who is personally providing care for a child under 12 weeks of age is not required to participate in employment services until the child reaches 12 weeks of age.
- MINN. STAT. § 256J.561, subdivision 3(b), states that the provisions in paragraph 3(a) end the first full month after the child reaches 12 weeks of age and that the participant and job counselor must meet within 10 days after the child reaches 12 weeks of age. It also states that this provision is available only once in a caregiver's life and that in a two-parent household, only one parent is allowed to use this provision.
- Pursuant to MINN. STAT. § 256J.32, each applicant and recipient, as a condition of eligibility, must furnish evidence of those factors that affect eligibility and the amount of entitlement, including (1) identity of adults; (2) presence of the minor child in the home if questionable; (3) relationship of a minor child to caregivers in the recipient family; (4) age if necessary to determine MFIP eligibility; (5) immigration status; (6) Social Security numbers; (7) income; (8) self-employment expenses used as deductions; (9) source and purpose of deposits and withdrawals from business accounts; (10) spousal support and child support payments made to persons outside the household; (11) real property; (12) vehicles; (13) checking and savings accounts; (14) savings certificates, savings bonds, stocks, and individual retirement accounts; (15) pregnancy if related to eligibility; (16) inconsistent information if related to eligibility; (17) burial accounts; (18) school attendance if related to eligibility; (19) residence; (20) a claim of family violence if used as a basis for a family violence waiver; (21) disability if used as a basis for exemptions from training or employment or for reduced hourly work participation requirements; and (22) exceptions for certain assistance standards.
- MINN. STAT. § 256J.09, subdivision 2, requires the county office to inform each applicant and recipient, at the time of application and subsequently, of his or her initial and continuing responsibilities to furnish accurate, complete, and current eligibility information. Also, § 256J.30, subdivision 9, requires each applicant and recipient to make a timely report to the county office of any changes in his or her needs or resources. A report is considered timely if made within 10 days of the changes.
- Pursuant to MINN. STAT. § 256J.32, subdivision 6, the county office must recertify eligibility in an annual face-to-face interview with the recipient and verify (1) presence of the minor child in the home if questionable; (2) income, unless excluded, including self-employment expenses used as a deduction and deposits or withdrawals from business accounts; (3) assets when the value is within \$200 of the asset limit; (4) information to

establish certain exemptions from assistance standards; and (5) inconsistent information if related to eligibility.

- MINN. STAT. § 256J.30, subdivision 9, requires caregivers to report changes or anticipated changes in circumstances within 10 days of the date that they occur, at the time of the periodic recertification of eligibility, or within 8 calendar days of a reporting period, whichever comes first. Changes that must be reported within 10 days must also be reported on the monthly Household Report Form for the reporting period in which the changes occurred. Within 10 days, a caregiver must report (1) a change in initial employment; (2) a change in initial receipt of unearned income; (3) a recurring change in unearned income; (4) a nonrecurring change in unearned income that exceeds \$30; (5) receipt of a lump sum; (6) an increase in assets that may cause the recipient family to exceed asset limits; (7) a change in a recipient's physical or mental status if the physical or mental status is the basis of an exemption from work requirements; (8) a change in employment status; (9) information affecting an exemption from the shared household standard; (10) the marriage or divorce of a recipient family member; (11) the death of a parent, minor child, or financially responsible person; (12) a change in address or living quarters of the recipient family; (13) the sale, purchase, or transfer of property; (14) a change in school attendance for a caregiver under the age of 20 or an employed child; (15) the filing of a lawsuit, a worker's compensation claim, or a monetary claim against a third party; and (16) a change in household composition, including births, recipient family members' and financially responsible persons' return to and departures from the home, or a change in the custody of a minor child.
- MINN. STAT. § 256J.08, subdivision 63, defines an "overpayment" as the portion of an assistance payment that is greater than the amount for which the recipient family is eligible.
- Minnesota's "Combined Manual," section 0005.12.03, states that an application is complete when it is signed and dated and all questions are completed.
- MINN. STAT. § 256J.11, subdivision 1(b), states that a qualified noncitizen who entered the United States on or after August 22, 1996, is eligible for TANF basic assistance. However, the TANF grant may not be used to fund TANF basic assistance for a qualified noncitizen for a period of 5 years after the date of entry unless the qualified noncitizen, as defined by the U.S. Code, Title 8, was admitted to the United States as a refugee, was granted asylum, or was granted withholding of deportation. In addition, an individual is eligible for TANF basic assistance if he or she is (1) a veteran of the U.S. Armed Forces with an honorable discharge for a reason other than noncitizen status; (2) on active duty in the U.S. Armed Forces, other than for training; or (3) a spouse or unmarried dependent child of the same.
- MINN. STAT. § 256J.26, subdivision 1, states that applicants or recipients who were convicted of a drug offense after July 1, 1997, may, if otherwise eligible, receive TANF basic assistance. However, TANF benefits for the entire assistance unit must be paid in

vendor form for shelter and utilities during any time that the applicant is part of the recipient family, and the convicted applicant or recipient is subject to random drug testing as a condition of continued eligibility. An applicant or recipient who fails the first drug test is subject to a 30-percent sanction applied to any residual TANF benefits remaining after vendor payments for shelter and utilities. An applicant or recipient who fails the second drug test is permanently disqualified from the TANF program.

- Pursuant to MINN. STAT. § 256J.26, subdivision 2, an individual violating a condition of probation, parole, or supervised release imposed under Federal law or the law of any State is disqualified from receiving TANF basic assistance.
- MINN. STAT. § 256J.26, subdivision 3, states that an individual who is fleeing to avoid prosecution, custody, or confinement after conviction for a crime that is a felony under the laws of the jurisdiction from which the individual flees (or, in the case of New Jersey, that is a high misdemeanor) is disqualified from receiving TANF basic assistance.
- MINN. STAT. § 256J.26, subdivision 4, states that an individual who is convicted in Federal or State court of having made a fraudulent statement or representation with respect to place of residence in order to receive assistance simultaneously from two or more States is disqualified from receiving TANF basic assistance for 10 years beginning on the date of the conviction.
- MINN. STAT. § 256J.42, subdivision 1, states that unless a recipient has good cause, a recipient family in which any caregiver has received 60 months of cash assistance funded in whole or in part by the TANF block grant is ineligible to receive MFIP assistance.

SAMPLE DESIGN AND METHODOLOGY

SAMPLE OBJECTIVE

Our objective was to determine whether the State agency made TANF basic assistance payments to or on behalf of 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 304,790 monthly basic assistance payments to or on behalf of TANF recipients in Minnesota for the 12-month period that ended March 31, 2007. The total TANF reimbursement for the 304,790 payments was \$104,168,618 (\$88,543,325 Federal share).

SAMPLE UNIT

The sample unit was a monthly TANF basic assistance payment to or on behalf of a recipient family for the audit period. The payment included all basic assistance payments made to or on behalf of the family for the month, including utilities, rent, and cash payments.

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. 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

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
\$88,543,325	304,790	\$44,365	150	\$2,386	14

Estimates

Limits Calculated for a 90-Percent Confidence Interval

	<u>Estimated Value of Improper Payments</u>	<u>Estimated No. of Improper Payments</u>
Point estimate	\$4,848,437	28,447
Lower limit	2,393,401	17,470
Upper limit	7,303,472	43,294

Calculation of Improper Payment Rate

Dollar value of payments	$\frac{\text{Estimated improper Federal dollars}}{\text{Total Federal dollars in universe}} = \frac{\$4,848,437}{\$88,543,325} = 5.5\%$
Number of payments	$\frac{\text{Estimated No. of improper payments}}{\text{Total No. of payments in universe}} = \frac{28,447}{304,790} = 9.3\%$

**Minnesota Department of Human Services**

July 17, 2008

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
U.S. Department of Health and Human Services
Office of Inspector General
Office of Audit Services
601 East 12th Street, Room 284A
Kansas City, MO 64106

Re: Report Number A-07-07-01045

Dear Mr. Cogley:

The Minnesota Department of Human Services (MDHS) has reviewed the U.S. Department of Health and Human Services, Office of Inspector General draft report dated June 20, 2008 and entitled "Review of Improper Temporary Assistance for Needy Families (TANF) Basic Assistance Payments in Minnesota for April 1, 2006 Through March 31, 2007." This letter serves as Minnesota's response to the report.

Before addressing the report's specific recommendations, I would like to speak to a more general concern Minnesota shares with the seven other states being reviewed under this process regarding the establishment of a national payment error rate for the TANF program. Under TANF, states now have the flexibility of using different eligibility criteria, budget methodologies, and sanction procedures to implement each state's strategy to increase the self sufficiency of program participants. These vastly differing policies and processes seem to negate any meaningful comparison of states in the context of a national payment error rate.

We do not believe a focus on payment accuracy reflects the goals of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), with its focus on performance in the areas of job preparation, work and ending dependence on government benefits. Both PRWORA and the more recent Deficit Reduction Act of 2005 intentionally de-emphasize evaluating TANF from a payment accuracy perspective in favor of employment outcome measures.

As a state facing a budget shortfall, we are also concerned with the cost effectiveness of this review for both the federal agency and states. The costs of the current methodology to both the HHS OIG and states are considerable. States spend significant resources, not only on meeting the auditor's requests, but also training the auditors on specific state statutes, rules and policy; reviewing preliminary results; and, answering questions to help insure accurate audit findings. We do not believe this is an efficient use of limited government resources given the limited benefits.

Minnesota, along with the other seven states being reviewed, recognizes HHS's responsibilities relative to the Improper Payments Information Act but believes there are alternative approaches that are more meaningful than trying to measure TANF payment accuracy. A December 3, 2007 letter from the American Public Human Services Association, the National Association of State TANF Administrators, and the National Association for Program Information and Performance Management outlined an alternative review methodology that would more

Mr. Patrick J. Cogley
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reasonably and appropriately evaluate individual state program compliance with federal requirements. We ask that you consider this alternative methodology.

We provide the following responses, as requested, to address the three specific recommendations contained in the draft report.

- Recommendation #1 - Use the results of the review to help ensure compliance with federal and state TANF requirements by reemphasizing to recipients the need to provide accurate and timely information and requiring its employees to verify eligibility information and apply required sanctions.

Minnesota response : Minnesota agrees with the recommendation. An e-mail from the TANF Director was sent to the directors of Minnesota's 87 counties updating them on the results of the review. The overall lack of documentation to substantiate case actions was brought to their attention as an area of concern. Counties were asked to review MFIP documentation requirements and insure they are being followed.

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

Minnesota response : Minnesota agrees with the recommendation. Counties with cases cited with payment errors have been notified of the results so they can take appropriate action.

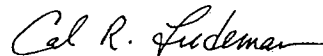
- Recommendation #3 - Recalculate assistance payments for all recipients identified in this review as having received improperly calculated payments.

Minnesota response : Minnesota agrees with the recommendation. Counties with cases cited with payment errors have been notified of the results so they can take appropriate action.

Finally, the cover letter to the draft report indicates that within 10 business days of issuing Minnesota's final report, OIG will post the report on the Internet. We respectfully request that OIG refrain from either publishing and/or posting information on specific state reviews to the Internet until the entire eight 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", which requires that all eight 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.

Minnesota remains committed to the goals of the TANF program and working with our federal partners to insure those goals are met.

Sincerely,



Cal R. Ludeman
Commissioner