

**Memorandum**

Date **JUN 14 2002**  
From Janet Rehnquist  
Inspector General *Janet Rehnquist*  
Subject Review of Aid to Families with Dependent Children Overpayment Recoveries  
(CIN: A-05-01-00101)  
To Wade F. Horn, Ph.D.  
Assistant Secretary for Children and Families

As part of self-initiated audits by the Office of Inspector General, we are alerting you to the issuance within 5 business days of our final audit report related to the recovery of Aid to Families with Dependent Children (AFDC) overpayments by the State of Ohio. We are recommending recovery of about \$17.2 million. Copies of the report are attached.

The objective of the review was to determine whether the State properly collected and refunded AFDC overpayment recoveries to the Federal Government. State agencies are required to pursue AFDC overpayments made prior to October 1, 1996 and make appropriate refunds to the Federal Government. Also, collections of overpayments occurring after that date are to be used to offset Temporary Assistance to Needy Families (TANF) expenditures in the year collected.

Generally, the State had systems to identify and collect AFDC overpayments but did not refund to the Federal Government its proportionate share of those collections. The State of Ohio has agreed to refund \$17.2 million. In addition, the State has agreed to improve its recovery policies and procedures to ensure timely reporting and refunding of AFDC overpayment recoveries and modify its automated statewide eligibility system to account for AFDC overpayment recoupments.

The results found in Ohio are consistent with reviews we have made or are making in other States and which we have reported to you earlier.

Any questions or comments on any aspect of this memorandum are welcome. Please contact me or have your staff call Donald L. Dille, Assistant Inspector General for Administrations of Children, Families, and Aging Audits at (202) 619-1175.

Attachment

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF AID TO FAMILIES  
WITH DEPENDENT CHILDREN  
OVERPAYMENT RECOVERIES  
FOR THE PERIOD JULY 1, 1996  
THROUGH SEPTEMBER 30, 2001**

**OHIO DEPARTMENT OF JOB  
AND FAMILY SERVICES  
COLUMBUS, OHIO**



**JANET REHNQUIST  
Inspector General**

**JUNE 2002  
A-05-01-00101**



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

Common Identification Number A-05-01-00101

JUN 19 2002

Mr. Tom Hayes, Director  
Ohio Department of Job and Family Services  
30 East Broad Street, 32<sup>nd</sup> Floor  
Columbus, Ohio 43266-0423

Dear Mr. Hayes:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) final report entitled "Review of Aid to Families with Dependent Children Overpayment Recoveries". A copy of this report will be forwarded to the action official noted below for his review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. 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), Office of Inspector General, OAS reports, issued to the Department's grantees and contractors, are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the ACT which the department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-05-01-00101 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in cursive script that reads "Paul Swanson".

Paul Swanson  
Regional Inspector General  
for Audit Services

Enclosures as stated

**Direct Reply to Action Official:**

Director, Division of Financial Integrity  
Room 702 Aerospace Building  
370 L'Enfant Promenade S.W.  
Washington D.C. 20001



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Mr. Tom Hayes, Director  
Ohio Department of Job and Family Services  
30 East Broad Street, 32<sup>nd</sup> Floor  
Columbus, Ohio 43266-0423

Dear Mr. Hayes:

This final report presents the results of our Review of Aid to Families with Dependent Children (AFDC) Overpayment Recoveries. The review was conducted as part of a nationwide review of AFDC overpayment recoveries in various States. The objective of our review was to determine whether the Ohio Department of Job and Family Services' (State agency) practices for identifying, collecting, reporting, and remitting AFDC overpayments were in accordance with Federal requirements.

We determined that the State agency had recovered AFDC overpayments, occurring before October 1, 1996, but did not refund the Federal share of \$17,184,240 that was collected after Ohio's implementation of the Temporary Assistance to Needy Families (TANF) program on October 1, 1996. The State agency lacks written procedures to ensure that recoveries of AFDC overpayments are treated in accordance with ACF program instructions.

We recommended that the State agency implement procedures to refund the Federal share of current (\$17,184,240) and future recoveries of AFDC overpayments occurring prior to October 1, 1996 to the Administration for Children and Family Services (ACF). Further, we recommended quarterly reviews of State agency records to determine the amount of overpayments recovered and due to ACF in accordance with program instructions. We also recommended that the State agency increase oversight of the county agencies' identification of additional refunds due ACF from unreported recoupments or State income tax offsets and refund the identified recoveries.

In a letter dated April 15, 2002, the State agency agreed to refund the Federal share of the recovered AFDC overpayments (\$17,184,240). The State agency also agreed to implement procedures for reporting overpayment recoveries and to modify its statewide information system to help in the identification of AFDC recoveries from current TANF recipients. The full text of the State agency's response is included as an appendix to the report.

## INTRODUCTION

### BACKGROUND

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) repealed the AFDC program and replaced it with the TANF program. At the Federal level, the U.S. Department of Health and Human Services, Administration for Children and Families (ACF) administers the AFDC and TANF programs. In Ohio, the AFDC and TANF programs are state supervised and county administered. The State agency is responsible for the supervision of the AFDC and TANF programs, while 88 county job and family services' agencies (counties) administer the AFDC and TANF programs.

The individual counties are responsible for the daily administration of the AFDC and TANF programs, the determination of eligibility and the authorization of assistance. They also have a partial responsibility for the identification and recovery of AFDC and TANF overpayments. In addition, the counties are to report and forward the AFDC overpayment recoveries to the State agency on a monthly basis. The State agency relies on data submitted by the counties to determine whether the overpayment recoveries pertain to AFDC or TANF.

Although the AFDC program was repealed and replaced with the TANF program, the former AFDC requirement for States to pursue and recover uncollected AFDC overpayments remains in place. States must continue to return the Federal share of recovered AFDC overpayments that occurred prior to October 1, 1996. Title 45 of the Code of Federal Regulations, paragraph 233.20(a)(13)(i)(E), requires States to:

“(1) Recover the overpayment, (2) initiate action to locate and/or recover the overpayment from a former recipient, or (3) execute a monthly recovery agreement from a current recipient's grant or income/resources.”

The State agency's general authority under State law to recover AFDC overpayments is delineated in Sections 5107.5, 5107.76, and 5101.183-184 of the Ohio Revised Code. The Ohio Department of Jobs and Family Services, Bureau of Program Integrity, Fraud Control Section promulgates State and county agency requirements for compliance with the Ohio Revised Code. The State agency identifies AFDC overpayments primarily through various computer matches with Federal and State databases at the State level and a toll-free welfare fraud reporting hotline. The State agency forwards the overpayment information to counties for processing. The counties also identify AFDC overpayments through the data base inquiry functions during the client intake and eligibility re-determination processes.

The State agency recovers AFDC overpayments from current recipients through a reduction in the recipient's monthly assistance payment, referred to as recoupments. Overpayment recoveries from former recipients occur primarily through demand letters, installment agreements, lump sum payments, civil and criminal judgments, assets liens and seizures, wage and income garnishments, or referral to the Ohio Department of Taxation (ODT) for offset against an

individual's State income tax refund. The State agency implemented rules for the State income tax refund offset program in October 2000 and began receiving recoveries from the ODT in March 2001.

Three State agency Bureaus are involved in the AFDC overpayment recovery process. The Bureau of Program Integrity, Fraud Control Section administers the AFDC overpayment collection rules and oversees the counties' identification and collection activities for AFDC overpayments. The Bureau of County Finance is generally responsible for compiling AFDC overpayment recoveries as reported from individual counties, while the Bureau of Reporting and Grants is generally responsible for reporting and refunding recovered AFDC overpayments to the Federal government.

### **OBJECTIVE, SCOPE AND METHODOLOGY**

Our audit was conducted in accordance with generally accepted government auditing standards. The objective of our audit was to determine whether State agency practices for identifying, collecting, reporting, and remitting AFDC overpayments were in accordance with Federal requirements. Although our original audit period covered July 1, 1996 through June 30, 2001, we extended it to September 30, 2001 to coincide with the State agency's analysis of its recovery records performed in response to an ACF Program Instruction.

To accomplish our objective, we reviewed applicable Federal laws, regulations, and policies regarding State identification and handling of AFDC overpayments. We reviewed State laws, regulations, policies and procedures, implemented since welfare reform, for identifying, collecting, reporting, and remitting overpayments. We assessed whether the Federal share of recovered AFDC overpayments, occurring prior to October 1, 1996, were returned to ACF. On a test basis, we also assessed whether the State agency received sufficient data from the counties to determine which overpayment recoveries pertain to AFDC or TANF.

During the course of our audit, the State agency completed an analysis of their internal records to identify recoveries of AFDC overpayments that occurred prior to October 1, 1996. We reviewed the analysis of their records for accuracy and reasonableness. Our audit was limited to the recovery procedures applicable to AFDC overpayments, as reported by the counties and recorded in the State agency's accounting records. We did not evaluate the counties' procedures for determining the amount of overpayments or the accuracy of these determinations.

Our review of the State agency's internal control structure was limited to areas related to AFDC overpayment recovery activities. In that regard, we obtained an understanding and assessed control risk for the implemented policies and procedures related to Federal financial reporting, accounts receivable identification and collections, and database access and computer matching approaches. Our limited review would not have necessarily disclosed all weaknesses relating to the State agency's overpayment recovery procedures and practices. Except for matters discussed in the FINDINGS AND RECOMMENDATIONS section of this report, we found that items tested complied with applicable laws and regulations.

We conducted our field work at the State agency's central offices in Columbus, Ohio from December 2001 through January 2002. We provided the State agency a draft report for comment on March 14, 2002. The State agency's relevant comments are summarized after each finding and the State agency's written comments are appended in their entirety to this report (see Appendix).

## FINDINGS AND RECOMMENDATIONS

The State agency practices for identifying and collecting AFDC overpayments were generally in accordance with Federal requirements. However, since the State's implementation of TANF, the State agency retains recovered overpayments due ACF. As of September 30, 2001, the State agency had not refunded the Federal share (\$17,184,240) of recovered AFDC overpayments occurring prior to October 1, 1996. Since some of the counties did not submit the required information on AFDC overpayment recoveries from current assistance recipients, referred to as recoupments and from offsets imposed against State income tax refunds, the State agency needs to follow-up with the county agencies to determine whether additional refunds are due ACF. The State should implement procedures to ensure that they return the recovered AFDC overpayments to ACF in a timely manner, to perform a quarterly analysis of the State agency's internal records and the segregation of AFDC overpayment recoveries by their occurrence before October 1, 1996, and to work with county offices to identify additional recovered overpayments.

### Recovered AFDC Overpayments Due to ACF

Under the AFDC program and until TANF implementation on October 1, 1996, the State routinely recovered overpayments and credited them on the quarterly Form ACF-231, Aid to Families with Dependent Children Program Financial Report. Since the TANF implementation, the State continued to receive AFDC overpayment recoveries from the counties but did not refund the AFDC recoveries to ACF. Although the previous reporting of AFDC overpayment recoveries on the ACF-231 effectively reduced the current year draw down capability, the TANF quarterly reports do not accommodate adjustments for AFDC recoveries. Although ACF had instructed the States to continue recovering AFDC overpayments, many States did not forward the recoveries to ACF. On September 1, 2000, ACF issued a TANF Program Instruction, delineating State responsibilities to recover AFDC and TANF overpayments and to return the AFDC overpayment recoveries to ACF.

ACF Program Instruction TANF-ACF-PI-2000-2, Paragraph 1 states:

...For recoveries of former AFDC program overpayments **made before October 1, 1996** (emphasis added), States are required to repay to the Federal government the Federal share of these recoveries. These rules apply regardless of the fiscal year in which the recoveries are collected and received by the State. The Federal share of these recovered overpayments must be calculated by multiplying the total amount recovered by the Federal Medical Assistance Percentage (FMAP) rate in effect for the State during fiscal year 1996....

ACF Program Instruction TANF-ACF-PI-2000-2, Paragraphs 1C and 1D, continues:

“States that have not been properly tracking AFDC overpayments that occurred prior to October 1, 1996 must perform an analysis of their accounts receivable systems to identify all such recoveries received both via recoupment of AFDC or TANF benefits and via cash collections. Upon completion of such analysis, the Federal share of the accumulated amounts recovered should be remitted to ACF via check. Both of these processes should be completed no later than December 31, 2000. Once States have become current with past due remittances, checks should be submitted to ACF no less frequently than quarterly.”

During the course of our review, the State agency completed an analysis of its internal records to determine the accumulated recoveries of AFDC overpayments occurring before October 1, 1996, as reported by the counties. The results of the State agency’s analysis indicate that the accumulated amount was \$28,559,481 (Federal share \$17,184,240). These AFDC recoveries were collected from October 1, 1996 through September 30, 2001 but not returned to ACF.

## **RECOMMENDATIONS**

We recommend that the State agency:

- Refund \$17,184,240 for the Federal share of recovered AFDC overpayments, occurring prior to October 1, 1996, and
- Implement written procedures to perform a quarterly analysis of its internal records to identify and refund collections of AFDC overpayments that occurred before October 1, 1996.

## **State agency comments**

In a letter dated April 15, 2002, the State agency agreed with the findings listed in the draft report. The State agency will send a check, totaling \$17,184,240, to ACF for the Federal share of AFDC overpayment cash collections and recoupments for the period October 1996 through September 2001. They also agreed to establish procedures for reporting the Federal share of AFDC overpayment cash collections on a quarterly basis.

## **OAS response**

We concur with the State agency’s proposed corrective actions.

### **Recouped AFDC Overpayments Not Reported by the Counties**

Although the State agency's instructions require the counties to submit monthly recoupment collection reports and relate those recoupments to the applicable assistance program, not all counties submit the required reports. Title 45 of the Code of Federal Regulations, paragraph 233.20(a)(13)(v) requires:

“The State must maintain information on the individual and total number and amount of overpayments identified and their disposition for current and former recipients.”

Without the monthly recoupment reports, the State agency cannot determine whether all AFDC overpayment recoveries from current assistance recipients are identified for appropriate refund to ACF.

On a test basis, we reviewed State agency supporting records to determine whether the 88 counties submitted the required monthly recoupment reports. We examined records for six months from April 1, 2001 through September 30, 2001 and determined that the State agency had not received 143 of the 528 required monthly recoupment reports. State agency officials attributed the unsubmitted reports to staff turnover, lack of trained personnel, quarterly rather than monthly reporting by some counties, or smaller counties not having any recoupments to report.

State agency officials also indicated that the statewide Client Registry Information System-Enhanced (CRIS-E) was not modified after TANF implementation to separate AFDC and TANF overpayments either by program or occurrence date. Therefore, the CRIS-E cannot be used to segregate overpayment recoveries between the programs. Instead, the State agency relies on data submitted by the counties to determine which overpayment recoveries pertain to AFDC or TANF.

### **RECOMMENDATIONS**

We recommend that the State agency:

- Identify collected but unreported recoupments of AFDC overpayments at non-reporting counties and make appropriate refund to ACF, and
- Consider increased oversight of the county recoupment recovery reporting and implementation of necessary modifications of CRIS-E to separate AFDC and TANF overpayment recoveries by program or occurrence date.

### **State agency comments**

The State agency is working on the parameters needed to program the CRIS-E eligibility system to account for AFDC overpayment recoupments from the TANF cash assistance program. They

did not respond to our recommendation regarding unreported recoupments of AFDC overpayments at non-reporting counties.

### **OAS response**

We agree with the modification of the CRIS-E eligibility system to account for AFDC overpayment recoupments. However, we continue to believe that the State agency should identify collected but unreported recoupments of AFDC overpayments at non-reporting counties and make the appropriate refund to ACF.

### **Recovered AFDC Overpayments through the State Income Tax Refund Offsets**

Although the State agency recovered \$1,079,464 of overpayments from State income tax refund offsets as of December 2001, it could not readily segregate most of the offset recoveries between the AFDC and TANF programs. ACF Program Instruction TANF-ACF-PI-2000-2, states:

...States must return to the Federal government the computed Federal share of recoveries that are made on outstanding AFDC overpayments occurring prior to October 1, 1996...

Based on information supplied by the counties, the State agency determined that \$154,170 (Federal share \$92,764) of the offset recoveries pertained to the AFDC program and was included in the previously identified refund due ACF of \$28,559,481 (Federal share \$17,184,240). Another \$35,216 of the offset recoveries pertained to TANF. The remaining recoveries of \$890,078 require further analysis of county documentation to determine the applicable assistance program.

Although ODT provides the State agency with the amount of recoveries from State income tax refund offsets, the entry into the CRIS-E system is not program specific enough to generate a report that segregates the AFDC recoveries from the TANF recoveries. The State did not modify the CRIS-E system, after TANF implementation, to allow it to distinguish the difference between AFDC and TANF overpayment recoveries. Instead, the State agency relies on data submitted by the counties to determine which overpayment recoveries pertain to AFDC or TANF.

### **RECOMMENDATIONS**

We recommend that the State agency:

- Perform further analysis of county documentation of State income tax refund offset collections, totaling approximately \$890,078, to identify and refund the amount of AFDC overpayment offset recoveries, and
- Consider increased oversight of the county monitoring of the State income tax refund offset reporting and implementation of necessary modifications to the CRIS-E to separate AFDC and TANF overpayment recoveries by program or occurrence date.

**State agency comments**

The State agency did not respond to our recommendations regarding AFDC recoveries from the State income tax refund offset. Recoveries totaling \$890,078 require further analysis to determine to which assistance program they apply.

**OAS response**

We believe that the use of the State income tax refund offset is a valuable tool for recovering AFDC overpayments. As recommended, recoveries, totaling \$890,078, should be analyzed further to determine their applicability to assistance program and to identify AFDC recoveries that should be refunded to ACF.

To facilitate identification, please refer to Common Identification Number A-05-01-00101 in all correspondence relating to this report. If you have any questions, please contact me or have your staff contact Ross Anderson, Audit Manager, at (312) 353-8663.



Paul Swanson  
Regional Inspector General  
for Audit Services

## **APPENDIX**



30 East Broad Street • Columbus, Ohio 43266-0423  
www.state.oh.us/odjfs

April 15, 2002

Mr. Paul Swanson  
Regional Inspector General for Audit Services  
DHHS, Office of Audit Services  
233 North Michigan Ave., Suite 1360  
Chicago, IL 60601

Dear Mr. Swanson:

**RE: Draft Review of AFDC Overpayment Recoveries, CIN A-05-01-00101 dated March 14, 2002**

We agree with the findings listed in the draft report dated March 14, 2002. Ohio will send a check to ACF for the federal share of AFDC overpayment cash collections and recoupments for the period October 1996 through September 2001 after we receive your agreement. The federal share is \$17,184,240. Since the funds are appropriated in this year's budget, we need to pay by June 30, 2002.

Ohio is working on procedures to send in the federal share of AFDC overpayment cash collections on a quarterly basis to ACF.

Ohio is working on the parameters needed to program our CRIS-E eligibility system to account for AFDC overpayment recoupments from the TANF cash assistance payments. In order to expedite our payment to ACF, our final procedure will be forwarded at a later date.

The expertise and professionalism shown by Mr. Bill Pedersen, Senior Auditor, were appreciated.

Please contact Robert Monks, ODJFS, Fiscal at (614) 752-8702 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Quentin D. Potter".

Quentin D. Potter, Chief Fiscal Officer  
Office of Fiscal Services

A handwritten signature in cursive script that reads "Kenneth B. Marshall".

Kenneth B. Marshall, Chief Inspector  
Office of Chief Inspector

ODJFS/MS

Jane Frye, ODJFS

ODJFS/MS

ODJFS/MS