



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

July 17, 2002

Common Identification Number: A-06-02-00029

Mr. Howard H. Hendrick, Director
Oklahoma Department of Human Services
2400 N. Lincoln Boulevard, Room 115
Oklahoma City, OK 73105

Dear Mr. Hendrick:

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

Final determination as to actions taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG/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.) As such, within 10 business days after the final report is issued, it will be posted on the World Wide Web at <http://oig.hhs.gov>.

To facilitate identification, please refer to Common Identification Number A-06-02-00029 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure – as stated

Direct Reply to HHS Action Official:

Mr. Leon R. McCowan
Regional Hub Director
Administration for Children and Families
U.S. Department of Health and Human Services
1301 Young Street, Room 914
Dallas, TX 75202

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF OKLAHOMA
DEPARTMENT OF HUMAN SERVICES'
SYSTEMS AND PROCEDURES FOR
RECOVERING AND REFUNDING
OVERPAYMENTS MADE UNDER THE
AID TO FAMILIES WITH DEPENDENT
CHILDREN PROGRAM**



**JANET REHNQUIST
INSPECTOR GENERAL**

**JULY 2002
A-06-02-00029**

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:

Office of Audit Services

The OIG's Office of Audit Services (OAS) provides all 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 in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

Office of Evaluation and Inspections

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

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The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the Department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.



July 17, 2002

Common Identification Number: A-06-02-00029

Mr. Howard H. Hendrick, Director
Oklahoma Department of Human Services
2400 N. Lincoln Boulevard, Room 115
Oklahoma City, OK 73105

Dear Mr. Hendrick:

This report provides you with the results of our review of Oklahoma Department of Human Services (OKDHS) systems and procedures for recovering and refunding overpayments made under the Aid to Families with Dependent Children (AFDC) program. The objectives of the review were to determine whether OKDHS has systems and procedures to: (1) properly identify, collect and report AFDC overpayment recoveries, and (2) refund the correct amount of AFDC overpayment recoveries to the Federal Government.

The OKDHS has systems to identify, collect and report overpayment recoveries. However, OKDHS did not have a process in place to refund the Federal share of the AFDC overpayment collections to the Federal Government.

An OKDHS analysis determined that from April 1, 1997 through March 31, 2002 a total of \$2.4 million (\$1.6 million Federal Share) in AFDC overpayments had been recovered. Of that amount, \$1.1 million was from cash restitutions and \$1.3 million was from recoupments (reduction of benefits). We tested the OKDHS data used to determine the AFDC overpayment recoveries and found it to be supported. The OKDHS is in the process of refunding \$1.6 million to the Federal Government, according to an OKDHS official.

As a result, we recommended that OKDHS: (1) refund \$1.6 million to the Administration for Children and Families (ACF) in accordance with Federal requirements, and (2) refund the Federal share of subsequent AFDC recoveries to ACF in the form of a check at least quarterly.

In its response to our draft report, OKDHS concurred with the recommendations in the draft report. The OKDHS also enclosed a copy of the check written to ACF to refund the recommended \$1.6 million in overpayments and a worksheet detailing its calculations. The OKDHS stated it will calculate the same for future periods, refund the Federal share on a quarterly basis and adjust any Federal reports. See Appendix for a complete copy of the response.

BACKGROUND

Title IV-A of the Social Security Act established the AFDC program to encourage the care of dependent children of low-income families in their homes. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act replaced the AFDC program with the Temporary Assistance for Needy Families (TANF) program. The ACF provides funding for and administers both programs.

Federal regulations for AFDC require States to collect overpayments until the full amount has been recovered. Although the AFDC program was replaced by TANF, a number of AFDC overpayments remain outstanding and State agencies are still obligated to pursue and recover any uncollected amounts. The regulations also require that State agencies maintain information on the individual and total number and amount of overpayments identified and their disposition for current and former recipients.

For recoveries of AFDC overpayments made before October 1, 1996, Federal guidance issued in September 2000, requires States to repay the Federal share of collected AFDC overpayments by December 31, 2000 via check based on the Federal Medical Assistance Percentage (FMAP) rate in effect for the State during fiscal year 1996.

States that had not been properly tracking recovery of AFDC overpayments made prior to October 1, 1996 are to perform an analysis of their accounts receivable systems to identify all recoveries made by recoupment and cash collections and pay the Federal share of the recovered amounts to ACF via check by December 31, 2000. After a State becomes current with remitting past due AFDC overpayment recoveries, it is required to remit the Federal share of future AFDC recoveries to ACF via check no less frequently than quarterly.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the review were to determine whether OKDHS has systems and procedures to: (1) properly identify, collect and report AFDC overpayment recoveries, and (2) refund the correct amount of AFDC overpayment recoveries to the Federal Government.

To accomplish our objectives, we:

- reviewed the policies and procedures established by OKDHS to identify and recover overpayments;
- reviewed overpayment recovery transactions to determine whether OKDHS' calculation of the total amount collected for overpayments made before October 1, 1996 was supported; and
- interviewed OKDHS officials to determine if AFDC overpayment recoveries were being refunded to the Federal Government.

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

Our review of OKDHS' internal controls was limited to obtaining an understanding of the policies and procedures applicable to the identification, collection and reporting of overpayments.

We performed our field work at the OKDHS in Oklahoma City, Oklahoma the week of April 29, 2002.

RESULTS OF REVIEW

The OKDHS has not refunded AFDC overpayment recoveries in accordance with Federal requirements. The OKDHS has systems in place to separately identify AFDC and TANF overpayments. However, it allowed AFDC overpayment recoveries to be used to offset TANF expenditures after the AFDC program ended on September 30, 1996.

Federal Requirements

Federal regulations for AFDC require States to collect overpayments until the full amount has been recovered. For recoveries of AFDC overpayments made prior to October 1, 1996, Federal guidance requires States to analyze their accounts receivable systems to identify all recoveries made either by recoupment or cash collections and repay the Federal share of collected AFDC overpayments by December 31, 2000 via check based on the FMAP rate in effect for the State during fiscal year 1996. After a State becomes current with remitting past due AFDC overpayment recoveries, it is required to remit the Federal share of future AFDC recoveries to ACF via check no less frequently than quarterly.

OKDHS Accounts Receivable System

We sampled and reviewed selected transactions to evaluate the systems used by OKDHS to identify, collect and report AFDC overpayment recoveries. These transactions were overpayment recoveries that occurred after the AFDC program ended.

The AFDC overpayments recovered after the AFDC program ended were improperly used to reduce TANF program expenditures instead of being refunded in accordance with Federal requirements. The accounts receivable system identifies the amount of overpayments, the period the overpayments occurred and the method to be used to recover the overpayments. The system records the recovery of overpayments by cash restitutions and recoupments (reductions of benefits). In addition, the system was programmed to apply all AFDC overpayments to the TANF program. As a result, overpayment recoveries identified in the accounts receivable system relating to these programs were used to offset expenditures to the TANF program.

OKDHS Analysis

At our request, the OKDHS completed an analysis of AFDC overpayments made prior to October 1, 1996 and determined that from April 1, 1997 through March 31, 2002 a total of \$2.4 million (\$1.6 million Federal Share) in AFDC overpayments had been recovered. Of that amount, \$1.1 million was from cash restitutions and \$1.3 million was from recoupments (reduction of benefits). We tested the OKDHS data used to determine the AFDC overpayment recoveries and found it to be supported.

RECOMMENDATIONS

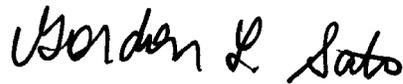
We recommend that OKDHS:

- (1) refund \$1.6 million to ACF via check in accordance with Federal requirements; and
- (2) refund the Federal share of subsequent AFDC recoveries to ACF in the form of a check at least quarterly.

AUDITEE COMMENTS

In its response to our draft report, OKDHS concurred with the recommendations in the draft report. The OKDHS also enclosed a copy of the check written to ACF to refund the recommended \$1.6 million in overpayments and a worksheet detailing its calculations. The OKDHS stated it will calculate the same for future periods, refund the Federal share on a quarterly basis and adjust any Federal reports. See Appendix for a complete copy of the response.

Sincerely,



Gordon L. Sato
Regional Inspector General
for Audit Services



OKLAHOMA DEPARTMENT OF HUMAN SERVICES

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P.O. Box 25352
Oklahoma City, OK 73125-0352
(405) 521-3646 * www.okdhs.org



July 3, 2002

DHHS, Office of Inspector General
Office of Audit Services
Attn: Mark Ables
1100 Commerce, Room 632
Dallas, Texas 75242

Reference #: CIN A-06-02-00029

Mr. Ables:

We have reviewed your draft report entitled "Review of Oklahoma Department of Human Services' Systems and Procedures for Recovering and Refunding Overpayments Made Under the Aid to Families with Dependent Children Program".

We agree with the facts and recommendations contained in your report. We have enclosed a copy of the check written to DHHS, ACF to pay the collections and recoupments from April 1, 1997 through March 31, 2002 and a copy of the worksheet detailing the calculations. We will calculate the same for future periods and reimburse the federal share on a quarterly basis. Federal reports affected by this report will be adjusted.

If you have any questions please contact Stuart Kettner of my staff at (405)-521-4344.

Best regards,


for Phil Motley, CFO
Finance Division

Oklahoma Department of Human Services

Enclosures - as stated

