



DEC 7 2006

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

Report Number: A-01-06-02504

Ms. Barbara Van Burgel  
Director  
Office of Integrated Access and Support  
Department of Health & Human Services  
11 State House Station Whitten Road  
Augusta, Maine 04333

Dear Ms. Van Burgel:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Review of Aid to Families With Dependent Children Overpayments in Maine for the Period April 1, 2001, Through March 31, 2005." A copy of this report will be forwarded to the action official named below for review and any action deemed necessary.

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

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Should you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through e-mail at [gnedder@oig.hhs.gov](mailto:gnedder@oig.hhs.gov). Please refer to report number A-01-06-02504.

Sincerely yours,

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

Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosures – as stated

Page 2 – Barbara Van Burgel

**Direct Reply to HHS Action Official:**

Hugh Galligan  
Regional Administrator  
Administration of Children and Families – Region I  
U. S. Department of Health and Human Services  
JFK Federal Building - Room 2000  
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF AID TO FAMILIES  
WITH DEPENDENT CHILDREN  
OVERPAYMENTS IN MAINE FOR  
THE PERIOD APRIL 1, 2001,  
THROUGH MARCH 31, 2005**



Daniel R. Levinson  
Inspector General

December 2006  
A-01-06-02504

# ***Office of Inspector General***

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## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Title IV-A of the Social Security Act established the Aid to Families With Dependent Children (AFDC) program to help low-income families care for their dependent children. In 1996, the AFDC program was replaced with the Temporary Assistance for Needy Families (TANF) program. The Administration for Children and Families (ACF) funded and administered AFDC and now funds and administers TANF. Overpayments occurred under AFDC when recipients received amounts to which they were not entitled.

Although TANF has replaced AFDC, Federal regulations require States to pursue and collect AFDC overpayments so long as outstanding overpayments remain. States are also required to return the Federal share of the recovered overpayments to ACF. Federal guidance issued in March 1999 and again in September 2000 requires States to repay the Federal share of collected AFDC overpayments.

### **OBJECTIVE**

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

### **SUMMARY OF FINDING**

Maine did not reimburse ACF in a timely manner for the Federal share of overpayments collected from former AFDC recipients, in accordance with Federal requirements. Specifically, we determined that during our audit period Maine had collected \$786,037 in overpayments from former AFDC recipients. Although Maine had procedures for identifying and reimbursing the Federal share of overpayments made to former AFDC recipients, it did not always follow these procedures. In addition, its computer system was unable to identify the amount of AFDC overpayments collected from beneficiaries who received overpayments under both the AFDC program and the TANF program. As a result, Maine did not credit the Federal Government \$497,719 for the Federal share of these overpayments.

### **RECOMMENDATIONS**

We recommend that Maine:

- reimburse ACF \$497,719 for its share of collected AFDC overpayments,
- follow procedures for identifying and reimbursing the Federal share of overpayments collected from former AFDC recipients, and

- implement procedures to ensure that its new computer system accurately segregates AFDC overpayment collections from TANF overpayment collections.

### **AUDITEE'S COMMENTS**

In its comments on our draft report, Maine agreed with our finding and recommendations and stated that it would reimburse ACF \$497,719 for AFDC overpayments collected from April 1, 2001, through March 31, 2005. Maine will also refund an additional \$171,803 for the Federal share of AFDC overpayments that it has recovered since the end of our audit period.

Maine's comments are included in their entirety in the appendix.

# TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
The Aid to Families With Dependent Children Program .....	1
Federal Reimbursement for Overpayments .....	1
Prior Audit of New England States Overpayments .....	1
<b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	2
Objective .....	2
Scope.....	2
Methodology .....	2
<b>FINDING AND RECOMMENDATIONS</b> .....	3
<b>FEDERAL REQUIREMENTS</b> .....	3
<b>OVERPAYMENTS NOT REIMBURSED</b> .....	3
<b>CAUSES OF STATE'S FAILURE TO REIMBURSE FEDERAL SHARE</b> .....	4
<b>RECOMMENDATIONS</b> .....	4
<b>AUDITEE'S COMMENTS</b> .....	4
<b>APPENDIX</b>	
<b>AUDITEE'S COMMENTS</b>	

## **INTRODUCTION**

### **BACKGROUND**

#### **The Aid to Families With Dependent Children Program**

Title IV-A of the Social Security Act established the Aid to Families With Dependent Children (AFDC) program to help low-income families care for their dependent children. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced the AFDC program with the Temporary Assistance for Needy Families (TANF) program. States were required to implement TANF by July 1, 1997.

The Administration for Children and Families (ACF) funded and administered AFDC and now funds and administers TANF. The Federal Government reimbursed States for at least half of the costs incurred for AFDC recipients who met eligibility requirements.

#### **Federal Reimbursement for Overpayments**

Overpayments occur when recipients receive amounts to which they are not entitled. Federal guidance issued in March 1999 and in September 2000 requires States to return the Federal share of collected AFDC overpayments to ACF. In contrast, States are not required to repay the Federal share of overpayment recoveries from TANF, which is funded through a block grant. Although TANF has replaced AFDC, Federal regulations require States to pursue and collect overpayments made to former AFDC recipients so long as outstanding overpayments remain.

Before TANF replaced AFDC, States reported the Federal share of collected overpayments on Federal form ACF-231 and offset these amounts against future Federal financial participation in the AFDC program. However, States no longer have that reporting process to repay the Federal share of collected AFDC overpayments. Instead, the AFDC recoveries are often made by reducing TANF benefits paid to recipients or by collecting cash payments.

Overlapping overpayments occur when recipients who received overpayments under AFDC continue to receive overpayments under TANF. When States collect these overlapping overpayments, they must determine which to credit to AFDC and which to credit to TANF.

#### **Prior Audit of New England States Overpayments**

In 2001, we conducted an audit to determine how each New England State identified and returned the Federal share of collected AFDC overpayments. As a result of our review, the six New England States agreed to repay a total of \$13 million in collected AFDC overpayments. In August 2001, as part of this agreement, Maine reimbursed ACF \$762,138, the Federal share of its AFDC overpayment collections.

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

### **Objective**

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

### **Scope**

We analyzed the 9,181 transactions totaling \$979,255 in AFDC and TANF overpayments that Maine collected from April 1, 2001, through March 31, 2005. We limited our review of internal controls to obtaining an understanding of the process that Maine used to identify and collect AFDC overpayments.

We performed our fieldwork from December 2005 through July 2006 at the Region I ACF office in Boston, Massachusetts, and at the State office in Augusta, Maine.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, policies, and procedures pertaining to both AFDC and TANF;
- interviewed Federal and State program officials;
- tested Maine's internal controls for monitoring the collections process by reviewing both the computerized collections system and the procedures used to implement this system;
- reviewed the amount that Maine identified as the Federal share of AFDC overpayment collections;
- tested all categories of overpayment transactions (e.g., checks received, recoupments, tax offsets) to determine whether the amount that the State had identified as the Federal share of reimbursements was reasonable;
- used computer-generated reports provided by the State to analyze the 9,181 AFDC and TANF overpayment transactions and identified 8,357 potential AFDC collections;
- segregated the 8,357 potential AFDC collections into 7,435 AFDC overpayments and 922 overlapping transactions that the State had not segregated into AFDC and TANF overpayments; and

- manually extracted data from all 922 overlapping transactions on the amount owed and the beginning and ending dates of service and determined that 807 of these transactions were AFDC overpayments.

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

## **FINDING AND RECOMMENDATIONS**

Maine did not reimburse ACF in a timely manner for the Federal share of overpayments collected from former AFDC recipients, in accordance with Federal requirements. Specifically, we determined that during our audit period Maine had collected \$786,037 in overpayments from former AFDC recipients. Although Maine had procedures for identifying and reimbursing the Federal share of overpayments made to former AFDC recipients, it did not always follow these procedures. In addition, its computer system was unable to identify the amount of AFDC overpayments collected from beneficiaries who received overpayments under both the AFDC program and the TANF program. As a result, Maine did not credit the Federal Government \$497,719 for the Federal share of these overpayments.

### **FEDERAL REQUIREMENTS**

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

Specifically, ACF program instruction, transmittal number TANF-ACF-PI-2000-2 dated September 1, 2000, states, “For recoveries of former AFDC program overpayments made before October 1, 1996, States are required to repay the Federal Government the Federal share of these recoveries . . . . Checks should be submitted to ACF no less frequently than quarterly.”

These instructions also specify that, when a current or former recipient is making repayments for overpayments that occurred both before October 1, 1996, under the former AFDC program, and after October 1, 1996, either under the AFDC or TANF program, the oldest arrearage (i.e., AFDC) must be credited first.

### **OVERPAYMENTS NOT REIMBURSED**

Maine did not reimburse ACF for the Federal share of overpayments that it collected from former AFDC recipients from April 1, 2001, through March 31, 2005. We analyzed records provided by the State to identify 8,357 AFDC overpayments that Maine had collected from former recipients during this period. Our review of these collections identified:

- 7,435 overpayment collections from recipients who had received AFDC overpayments before October 1, 1996. The total amount collected from these former AFDC recipients was \$688,252 (\$435,801 Federal share).

- 807 overpayment collections from recipients who had received overpayments from both the AFDC program and the TANF program. The AFDC portion collected from these former AFDC and TANF recipients was \$97,785 (\$61,918 Federal share).

As a result, we determined that Maine had collected \$786,037 (\$688,252 + \$97,785) in AFDC overpayments during our audit period and that Maine owed ACF \$497,719 (\$435,801 + \$61,918) for the Federal share of these overpayments.

## **CAUSES OF STATE'S FAILURE TO REIMBURSE FEDERAL SHARE**

Although Maine had procedures for identifying and reimbursing the Federal share of overpayments made to former AFDC recipients, it did not always follow these procedures. In addition, its computer system was unable to identify the amount of AFDC overpayments collected from beneficiaries who received overpayments under both the AFDC program and the TANF program. Maine officials attribute the delay in returning the Federal share of these overpayment collections to numerous patches in its integrated computer system that prevented the State from identifying the amount of AFDC overpayments owed the Federal Government.

## **RECOMMENDATIONS**

We recommend that Maine:

- reimburse ACF \$497,719 for its share of collected AFDC overpayments,
- follow procedures for identifying and reimbursing the Federal share of overpayments collected from former AFDC recipients, and
- implement procedures to ensure that its new computer system accurately segregates AFDC overpayment collections from TANF overpayment collections.

## **AUDITEE'S COMMENTS**

In its comments on our draft report, Maine agreed with our finding and recommendations and stated that it would reimburse ACF \$497,719 for AFDC overpayments collected from April 1, 2001, through March 31, 2005. Maine will also refund an additional \$171,803 for the Federal share of AFDC overpayments that it has recovered since the end of our audit period.

Maine's comments are included in their entirety in the appendix.

# **APPENDIX**



John Elias Baldacci  
Governor

**Maine Department of Health and Human Services**

Office of Integrated Access and Support  
Central Office  
268 Whitten Road  
11 State House Station  
Augusta, ME 04333-0011

Brenda M. Harvey  
Commissioner

Barbara J. Van Buregl  
Director

November 30, 2006

George Nedder, Audit Manager  
Office of Inspector General/Audit Services  
Region 1  
John F. Kennedy Federal Building  
Boston, MA 02203

Dear Mr. Nedder:

Thank you for the opportunity to respond to the U. S. Department of Health and Human Service, Office of Inspector General (OIG) draft report entitled "Review of Aid to Families with Dependent Children Overpayments in Maine for the Period April 1, 2001 Through March 31, 2005."

Maine completely agrees with OIG's calculation of the amount of money it must reimburse the U. S. Department of Health and Human Services, Office of Children and Families for its portion of Maine's collections of AFDC overpayments.

Maine appreciates the working relationship it has with OIG's staff. Additionally, Maine appreciates OIG's support in resolving the amount owed for the audit period and for its agreement to wait for the audit period's reimbursement and the routine quarterly reimbursements until the 2001-2005 audit was finalized.

Maine agrees it owes the following reimbursement amounts:

April 1, 2001 through March 31, 2005	\$497,719
April 1, 2005 through Sept. 30, 2006	<u>171,803</u>
Total	\$669,522

Please let me know if you would like this reimbursement sent to ACF now or when OIG issues its final audit report. Maine is prepared to send the reimbursement according to OIG instructions.

If you have questions, please ask them of Rose Masure by calling (207) 287-3104.

Page 2 George Nedder, Audit Manager

Sincerely,



**Barbara J. Van Burgel**  
Director, Office of Integrated  
Access and Support

**Cc: Michael J. Armstrong, Regional Inspector General for Audit Services**  
**Thomas Keyes, Deputy Director, Office of Integrated Access and Support**  
**Rose Masure, Division Director, Programs and Policy**  
**Scott Fitts, Director, Fraud, Investigation & Recovery Unit**  
**Dean Henderson, TANF Program Manager**  
**Cassandra Perkins, Program Fiscal Coordinator**  
**Kirsten Figueroa, Deputy Commissioner**