



Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
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JAN 18 2006

Report Number: A-01-06-02505

Mr. Steve Dale
Agency of Human Services
Commissioner, Department of Children & Families
103 South Main Street
Waterbury, Vermont 05676-1201

Dear Mr. Dale:

Enclosed are two copies of the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of Aid to Families with Dependent Children Overpayments in Vermont for the Period October 2001 – March 2005." A copy of this report will be forwarded to the action official noted on the next page for his 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 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 reports issued to the department's grantees and contractors are made available to members of the press and general public to the extent information is not subject to exemptions in the Act which the department chooses to exercise. (See 45 CFR part 5.)

If you have any questions or comments about this report, please do not hesitate to contact me at (617) 565-2689 or through e-mail at Michael.Armstrong@oig.hhs.gov. To facilitate identification, please refer to report number A-01-06-02505 in all correspondence.

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

Direct Reply to HHS Action Official:

Mr. Hugh Galligan
Regional Administrator
Administration for Children and Families
U.S. Department of Health & Human Services
John F. Kennedy 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 VERMONT
FOR THE PERIOD
OCTOBER 2001 – MARCH 2005**



Daniel R. Levinson
Inspector General

JANUARY 2006
A-01-06-02505

Office of Inspector General

<http://oig.hhs.gov>

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Notices

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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, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

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 required States to repay the Federal share of collected AFDC overpayments.

OBJECTIVE

Our objective was to determine whether Vermont has reimbursed the Federal government for its share of collected AFDC overpayments for the period October 2001 through March 2005.

SUMMARY OF FINDING

Vermont did not comply with Federal requirements for reimbursing the Federal share of collected AFDC overpayments. Vermont collected \$66,781 (\$40,650 Federal share) during the audit period. However, Vermont did not return the Federal share of the recovered overpayment to ACF. Although Vermont had procedures for collecting AFDC overpayments, the State cited employee turnover and a lack of written policies and procedures as the cause of their lapse in returning the Federal share of these collections. As a result, Vermont owes the Federal government \$40,650 for its share of the AFDC collected overpayments.

RECOMMENDATIONS

We recommend that Vermont:

- reimburse the Federal government \$40,650 for its share of collected AFDC overpayments and
- implement written policies and procedures to ensure that the Federal government receives its share of AFDC collections.

AUDITEE'S RESPONSE

In its January 10, 2006, written response to our draft report (see Appendix), Vermont's Department for Children and Families agreed with the finding and recommendations and is taking appropriate action to correct them.

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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. In 1996, the Personal Responsibility Act and Work Opportunity Reconciliation Act 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. Under AFDC, States received at least half of the costs incurred for recipients meeting eligibility requirements from the Federal government. Overpayments occurred when recipients received amounts to which they were not entitled.

Federal Reimbursement for Overpayments

Although TANF has replaced AFDC, Federal regulations require States to pursue and collect AFDC overpayments so long as outstanding overpayments remain. The AFDC recoveries are often made by reducing TANF benefits paid to recipients or by collecting cash payments.

States are also required to return the Federal share of the recovered overpayments to ACF. Federal guidance issued in March 1999 and in September 2000 required States to repay the Federal share of collected AFDC overpayments.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Vermont has reimbursed the Federal government for its share of collected AFDC overpayments for the period October 2001 through March 2005.

Scope

Our review covered AFDC overpayments collected by Vermont for the period October 1, 2001, through March 31, 2005. Our review of internal controls was limited to obtaining an understanding of the process that Vermont used to identify and collect AFDC overpayments.

We performed our fieldwork from May through October 2005 at the Region I ACF office in Boston, Massachusetts, and at the State office in Burlington, Vermont.

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 the State'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 Vermont identified as the Federal share of AFDC overpayment collections;
- randomly selected 60 AFDC and TANF transactions to determine whether the amount that the State had identified as the Federal share of reimbursements was reasonable; and
- reviewed cancelled checks for reimbursements to verify that the Federal government had received its share of collected AFDC overpayments.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDING AND RECOMMENDATIONS

Vermont did not comply with Federal requirements for reimbursing the Federal share of collected AFDC overpayments. Vermont collected \$66,781 (\$40,650 Federal share) during the audit period. However, Vermont did not return the Federal share of the recovered overpayments to ACF. Although Vermont had procedures for collecting AFDC overpayments, the State cited employee turnover and lack of written policies and procedures as the cause of their lapse in returning the Federal share of these collections. As a result, Vermont owes the Federal government \$40,650 for its share of the AFDC collected 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.”

OVERPAYMENTS NOT REIMBURSED

Vermont did not reimburse the Federal share of the collected AFDC overpayments to ACF for all 14 quarters of our review. Vermont collected \$66,781 (\$40,650 Federal share) during this period. However, Vermont did not return the Federal share of the recovered overpayment to ACF. Although Vermont had procedures for collecting AFDC overpayments, the State cited employee turnover and a lack of written policies and procedures are the cause of the lapse in returning the Federal share of these collections.

Vermont identified \$40,650 as the share of AFDC collections that it owes the Federal government. To verify the accuracy of this amount, we randomly selected and reviewed 60 transactions and found the amount of overpayments Vermont identified as reasonable. As a result, Vermont owes the Federal government \$40,650 for the Federal share of collected AFDC overpayments.

Vermont officials informed us that they plan to reimburse the Federal government for its share of AFDC overpayments.

RECOMMENDATIONS

We recommend that Vermont:

- reimburse the Federal government \$40,650 for its share of collected AFDC overpayments and
- implement written policies and procedures to ensure that the Federal government receives its share of AFDC collections.

AUDITEE’S RESPONSE

In its January 10, 2006, written response to our draft report (see Appendix), Vermont’s Department for Children and Families agreed with the finding and recommendations and is taking appropriate action to correct them.

APPENDIX



State of Vermont
Department for Children and Families
Commissioner's Office
103 South Main Street, Osgood 3
Waterbury, VT 05671-2401
www.dcf.state.vt.us

Agency of Human Services

[phone] 802-241-2100
[fax] 802-241-2980

January 10, 2006

Mr. Michael J. Armstrong
Regional Inspector General for Audit Services
Region I
JFK Federal Building
Boston, MA 02203

Dear Mr. Armstrong:

Review of AFDC Overpayments by the Office of the Inspector General
RE: Report A-01-06-02505 – December 2005

FINDINGS/RECOMMENDATIONS

- Reimburse the Federal government \$40,650 for its share of collected AFDC overpayments; and
- Implement written policies and procedures to ensure that the Federal government receives its share of AFDC collections

AGENCY RESPONSE

We agree with the findings and recommendations and are taking appropriate action to correct them.

If you have any questions, please feel free to contact me at (802) 241-2100 or email me at Steve.Dale@dcf.state.vt.us

Sincerely yours,

A handwritten signature in black ink, appearing to read "S. R. Dale".

Stephen R. Dale
Commissioner