



March 14, 2001

REGION IV
Room 3T41
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

CIN: A-04-00-00 133

Judge Kathleen Kearney, Secretary
Florida Department of Children and Family Services
13 17 Winewood Boulevard
Tallahassee, Florida 32399-0700

Dear Judge Kearney:

This final report provides you with the results of our audit of escheated warrants pertaining to the Aid to Families with Dependent Children (AFDC) and the Temporary Assistance to Needy Families (TANF) programs administered by the State of Florida (State). Escheated warrants as used in this report means those cash assistance warrants that remain outstanding or uncashed for an extended period of time.

EXECUTIVE SUMMARY

OBJECTIVE

The objective of the audit was to determine if the State was crediting the AFDC and TANF programs for the applicable portion (Federal share) of escheated warrants in accordance with Federal regulations.

FINDING

The State credited the AFDC and TANF programs for the Federal share of escheated warrants for July 1, 1993 through September 30, 1997. Also, for October 1, 1998 through September 30, 1999, TANF cash assistance payments were made with State only funds. The State used its TANF grant for other TANF related activities rather than cash assistance.

However, for October 1, 1997 through September 30, 1998 the State did not credit the Federal share of escheated warrants pertaining to TANF in accordance with either Federal regulations or State criteria. As a result, \$42,053 (\$2 1,5 17, Federal share) of outstanding warrants had not been credited. State officials said they inadvertently failed to credit the Federal share of outstanding warrants.

¹ Other TANF related activities included administration, child care, information system and technology, work activities, and other.

RECOMMENDATIONS

We recommend the State:

- credit the TANF program \$2 1,5 17 for outstanding warrants that had not been reported; and
- take steps to ensure escheated warrants are reported as required.

In written comments to the draft report, State officials generally agreed with our findings and recommendations and plan to refund the \$2 1,5 17 for outstanding warrants that have not been reported. The State's comments are summarized after the Recommendations section of this report and are included in their entirety in the **Appendix C**.

BACKGROUND

Federal Administration of TANF

Effective August 22, 1996, TANF replaced the AFDC program. States were given the option to begin their TANF programs anytime between August 22, 1996 and July 1, 1997. The TANF and AFDC programs provided cash assistance to needy families. At the Federal level, the Administration for Children and Families (ACF), within the Department of Health and Human Services (HHS), administers the TANF program. The ACF awards funds to States quarterly based on estimates of needs for the next quarter. Funds included in the award are available through the HHS Payment Management System for withdrawal when needed to pay for allowable program costs.

Under the AFDC program the Federal share of program costs was based on the published Federal Medical Assistance Percentages (FMAP) rates in effect for the Federal fiscal year. Under the TANF cash assistance program, no State match is required. However, in order to receive the full allocation under the TANF program, a State must demonstrate it is spending at a level equal to 80 percent (maintenance of effort) of its 1994 AFDC and related program expenditures. If a State meets minimum work requirements, its required maintenance of effort is reduced to 75 percent. Florida's maintenance of effort was reduced to 75 percent because it met the minimum work requirements.

State Administration of TANF

Prior to October 1, 1996, the Florida Department of Health and Rehabilitative Services was the State agency that administered the AFDC program. The Florida Department of Children and Family Services is the State agency that administers the TANF program. The State opted to begin its TANF program effective October 1, 1996.

At the end of each quarter, the State submits a quarterly financial report of expenditures and estimates of expenditures for the next quarter. The State reports TANF amounts net of any adjustments such as canceled warrants and recovered overpayments. For the July 1, 1993 through September 30, 1996 grant years, the State reported \$2.4 billion (\$1.4 billion, Federal share) in AFDC cash assistance program expenditures. For the October 30, 1996 through September 30, 1999 grant years, the State reported \$1.2 billion (\$365 million, Federal share) in TANF cash assistance program expenditures.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of the audit was to determine if the State was crediting the AFDC and TANF programs for the applicable portion (Federal share) of escheated warrants in accordance with applicable Federal regulations.

Scope

Our review of the State's internal controls was limited to obtaining an understanding of the policies and procedures applicable to outstanding warrants. We interviewed State officials and a representative from the ACF's Region IV office. Site work was performed from November 1999 through July 2000 and January 2001 at the State offices in Tallahassee, Florida.

Methodology

To accomplish the objective, we:

- obtained the applicable quarterly and annual financial reports, supporting payment/cancellation worksheet documentation, and computer generated warrant cancellation printouts covering July 1, 1993 through September 30, 1999. We also traced amounts on the computer generated cancellation reports to the payment/cancellation worksheets and then to quarterly or annual financial reports;
- obtained the published FMAP rates in effect during July 1, 1993 through September 30, 1996 and verified that the State used the appropriate rate for determining the Federal share of AFDC cancellations reported on the quarterly financial reports;
- determined the total dollar amount (**Appendix A**) and Federal share of TANF warrants outstanding more than 1 year from the date of issuance (**Appendix B**).

We also determined the total dollar amount and Federal share of TANF warrants outstanding more than 180 days from the date of issuance.

On February 14, 2001, we issued a draft report to the State for comment. State officials declined an exit conference and provided us with written comments on March 12, 2001.

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

FINDINGS IN DETAIL

The State credited the AFDC and TANF programs for the Federal share of escheated warrants for July 1, 1993 through September 30, 1997. Also, for October 1, 1998 through September 30, 1999 TANF cash assistance payments were made with State only funds. The State used its TANF grant for other TANF related activities rather than cash assistance.

However, for October 1, 1997 through September 30, 1998 the State did not credit the Federal share of escheated warrants pertaining to TANF in accordance with either Federal regulations or State criteria. As a result, \$42,053 (\$21,517, Federal share) of outstanding warrants had not been credited. State officials said they inadvertently failed to credit the Federal share of outstanding warrants.

Uncashed Warrants Not Credited

The State produced several monthly computer generated reports to assist in preparing the AFDC and TANF financial reports. One report, the ***“Direct Assistance Benefits Cancelled after Six Months Summary,”*** listed issued AFDC and TANF warrants that had become outstanding for more than 12 months, or 1 year, as of the end of the month that the report was generated.

The State elected to report uncashed checks on a 12-month basis, in accordance with State statutes. Although the State made this election, it did not report the \$42,053 (\$21,517, Federal share) in checks that were uncashed after 12 months.

Criteria

The **Florida Statutes, Chapter 17, Section 17.26 (1)** states in part,

“If any state warrant issued by the Comptroller against any fund in the State Treasury is not presented for payment within 1 year after the last day of the month in which it was originally issued, the Comptroller may cancel the warrant and credit the amount of the warrant to the fund upon which it is drawn.”

The **Cash Management Improvement Act (CMIA) and 45 Code of Federal Regulations (CFR) Part 92.20(b)(7)**, requires a minimum of time lapse between the transfer of funds from the U.S. Treasury and disbursement by the State. The Notice of Grant Awards for AFDC and TANF: (1) incorporate the CMIA; and (2) require States to limit the request to draw Federal funds to the minimum amount needed.

Cause

State officials said that during October 1, 1997 through September 30, 1998, the State intended to consider any warrants outstanding at 12 months, or 1 year, as credits or deductions to TANF expenditures, but inadvertently failed to consider them before reporting the net TANF expenditures. State officials also said they relied on ACF’s statements that, under TANF, State procedures were applicable and the State was not required to credit the Federal share of warrants outstanding at 180 days since Federal regulations at 45 CFR 201.67 were no longer in effect.

Effect

Using the State’s statute as applicable criteria, \$42,053 (\$21,517 Federal share) of TANF warrants outstanding at one year were not credited to TANF expenditures.

In addition, since no funds have actually been disbursed for an uncashed warrant and the State did not credit the Federal portion of the uncashed TANF warrants at either 6 months or 1 year, the State did not limit its draw of Federal funds to the minimum amount needed as required by the CMIA.

RECOMMENDATIONS

We recommend the State:

- ▶ credit the TANF program for \$21,517 which represents the Federal share of \$42,053 of warrants outstanding beyond one year during October 1, 1997 through September 30, 1998; and
- ▶ take steps to ensure that escheated warrants are credited and reported in accordance with applicable Federal and State criteria.

State Comments

State officials generally agreed with our findings and recommendations. State officials said they would refund the \$2 1,517 on or about April 6, 2001. State offkials also said that the warrants in question went unnoticed during the transition from the AFDC program to TANF.

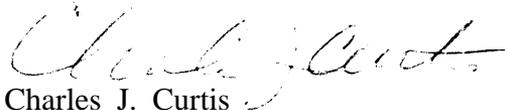
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In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to the exemptions in the Act which the Department chooses to exercise.

We request that you respond within 30 days from the date of this letter to the HHS action official shown below. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

To facilitate identification, please refer to the above Common identification Number (CIN) A-04-00-001 33, in any correspondence related to this report. If you need any additional information, please contact John Drake of my staff at (404) 562-7755.

Sincerely yours,



Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosures

Direct Reply to HHS Action Official:

HUB Director/Regional Administrator
Administration for Children and Families, Region IV
U.S. Department of Health and Human Services
61 Forsvth Street. S.W., Suite 4M60
Atlanta,* Georgia 30303-8909

SCHEDULE OF WARRANTS OUTSTANDING BEYOND ONE YEAR

12 Month Aged Report Month	Issue Month	Warrant Amounts
October 1997	October 1996	\$4,413
November 1997	November 1996	6,868
December 1997	December 1996	1,714
Total for Quarter Ended 12/31/97		<u>\$12,995</u>
January 1998	January 1997	\$3,039
February 1998	February 1997	6,224
March 1998	March 1997	2,763
Total for Quarter Ended 03/31/98		<u>\$12,026</u>
April 1998	April 1997	\$3,421
May 1998	May 1997	3,526
June 1998	June 1997	4,528
Total for Quarter Ended 06/30/98		<u>\$11,475</u>
July 1998	July 1997	\$1,069
August 1998	August 1997	2,252
September 1998	September 1997	2,236
Total for Quarter Ended 09/30/98		<u>\$5,557</u>
Total - 10/19/97 through 09/19/98		<u>\$42,053</u>

FEDERAL SHARE OF WARRANTS OUTSTANDING BEYOND ONE YEAR

	Quarter Ended				Total
	12/31/96	03/31/97	06/30/97	09/30/97	
<u>TANF</u>					
Federal Share	\$84,475,800	\$79,275,283	\$71,666,539	\$22,445,907	
State Share	<u>67,127,992</u>	<u>61,879,832</u>	<u>55,723,862</u>	<u>94,548,778</u>	
Total TANF Cash Assistance Claimed	\$151,603,792	\$141,155,115	\$127,390,401	\$116,994,685	
Federal Share Percentage	55.72%	56.16%	56.26%	19.19%	
Outstanding Warrants	<u>\$12,995</u>	<u>\$12,026</u>	<u>\$11,475</u>	<u>\$5,557</u>	
Outstanding Warrants - Federal Share (1)	<u>\$7,241</u>	<u>\$6,754</u>	<u>\$6,456</u>	<u>\$1,066</u>	
Total Federal Share of Outstanding Warrants					<u>\$21,517</u>

(1) We used the Federal percentage applicable to the quarter in which the outstanding warrants were issued to compute the Federal share of outstanding warrants.

March 7, 2001

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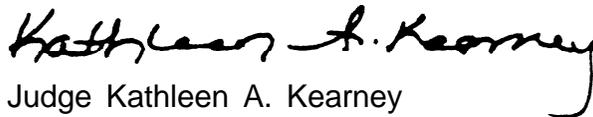
Mr. Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV
Department of Health & Human Services
Office of Inspector General
61 Forsyth Street, S.W., Room 3T41
Atlanta, Georgia 30303-8909

Dear Mr. Curtis:

Thank you for your February 14, 2001, letter providing the preliminary findings and recommendations of your report entitled "Audit of Florida's AFDC and TANF Escheated Warrants for the Period July 1, 1993 through September 30, 1999."

Our response to the findings and recommendations found in your report is enclosed. If I may be of further assistance, please let me know.

Very truly yours,



Judge Kathleen A. Kearney
Secretary

Enclosure

RESPONSE TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON
AUDIT OF FLORIDA'S AFDC AND TANF ESCHEATED WARRANTS
FOR THE PERIOD JULY 1, 1993 THROUGH SEPTEMBER 30, 1999

Finding: The state did not credit the TANF program for 12-month old warrants originally issued from October 1996 to September 1997.

Recommendation No.1: The state should credit the TANF program \$21,517 for the federal share of outstanding warrants that had not been reported.

Response: The Department of Children and Families will submit a warrant, payable to the U.S. Department of Health and Human Services, in the amount of **\$21,517**. The warrant will be mailed within 30 days of the date of this letter.

Recommendation No. 2: The state should take steps to ensure escheated warrants are reported in accordance with applicable federal regulations.

Response: The state has a procedure to ensure proper crediting of escheated warrants. The procedure includes a reconciliation of cash assistance, net of escheated warrants, reported by the agency's on-line eligibility system to the agency's accounting records. However, during the transition from AFDC to TANF, the warrants in question went unnoticed.