



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

MAR 28 2002

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

CIN: A-04-01-00008

Mr. Bill Fuller, Commissioner  
Alabama Department of Human Resources  
S. Gordon Persons Building  
50 Ripley Street  
Montgomery, Alabama 36130-4000

Dear Mr. Fuller:

Enclosed are two copies of a United States Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) report entitled, ***Audit of Overpayment Recoveries Pertaining to the Aid to Families With Dependent Children Program Administered by the State of Alabama***. A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determinations 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 (Public Law 90-23), OIG, OAS 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 exemptions in the Act which the Department chooses to exercise (see 45 Code of Federal Regulations Part 5).

To facilitate identification, please refer to Common Identification Number (CIN) A-04-01-00008 in all correspondence relating to this report.

Sincerely yours,

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

Enclosures - as stated

Page 2 - Bill Fuller

**Direct Reply to HHS Action Official:**

Regional Grants Officer  
Division of State Programs  
Administration for Children and Families, Region IV  
U.S. Department of Health and Human Services  
61 Forsyth Street, S.W., Suite 4M60  
Atlanta, Georgia 30303-8909

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF OVERPAYMENT  
RECOVERIES PERTAINING TO THE AID  
TO FAMILIES WITH DEPENDENT  
CHILDREN PROGRAM ADMINISTERED  
BY THE STATE OF ALABAMA**



**JANET REHNQUIST**  
Inspector General

**MARCH 2002**  
A-04-01-00008

# *Notices*

---

## **THIS REPORT IS AVAILABLE TO THE PUBLIC**

at <http://oig.hhs.gov>

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 information contained therein 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. Final determination on these matters will be made by authorized officials of the HHS divisions.





**MAR 28 2002**

CIN: A-04-01-00008

Mr. Bill Fuller, Commissioner  
Alabama Department of Human Resources  
S. Gordon Persons Building  
50 Ripley Street  
Montgomery, Alabama 36130-4000

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

Dear Mr. Fuller:

This final report provides the results of our audit of overpayment recoveries pertaining to the Aid to Families with Dependent Children (AFDC) program administered by the State of Alabama (State).

## **EXECUTIVE SUMMARY**

### **OBJECTIVE**

The objective of the audit was to determine whether the State had established systems and procedures to properly monitor, report, identify, collect and write-off overpayments related to the AFDC program; and to evaluate the adequacy of the systems and procedures in place to assure that overpayments were processed accurately, timely, and in compliance with Federal regulations.

### **SUMMARY OF FINDINGS**

The State established systems and procedures to monitor, report, identify, and collect overpayments related to the AFDC program. The systems and procedures in place generally appeared adequate to assure that overpayments were processed accurately, timely, and in compliance with Federal regulations.

However, for the period April 1, 1997 through March 31, 2001, the State included Temporary Assistance to Needy Families (TANF) overpayment recoveries in the AFDC overpayment amount returned to the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF). According to ACF Transmittal No. TANF-ACF-PI-2000-2, the State should retain the Federal share of TANF overpayment recoveries for use in funding the TANF program. We believe that the State inadvertently refunded \$77,742 in TANF overpayment recoveries to ACF. This occurred because of computer programming errors discovered in two of the State's reporting systems.

## RECOMMENDATIONS

We recommend that the State:

- correct the Family Assistance Comprehensive Employment and Training System (FACETS) report to split TANF and AFDC or use the Comprehensive Claim System report to determine recoupment amounts to be refunded to ACF; and
- make a \$77,742 adjustment by either: (1) offsetting future AFDC overpayment recoveries paid to ACF or (2) requesting ACF to issue a check for the amount overpaid. Under either adjustment method, the State should use the amount it overpaid to further the objectives of its TANF program.

In written comments to the draft report, State officials agreed with our findings and recommendations. State officials said they would continue to use the Comprehensive Claim System to determine the correct AFDC recoupment amounts to report to ACF, and had adjusted its Federal reports to correct the amount returned in error. The State's comments are summarized after the **Recommendations** section of the report and are included in their entirety in the **Appendix**.

## BACKGROUND

The AFDC program was a Federal and State funded income maintenance program. The program was established to encourage the care of dependent children of low-income families in their own homes. Beginning in 1996, States were eligible to participate in the new program entitled TANF. The State implemented this new program on November 15, 1996. The Department of Human Resources (DHR) is the single State agency responsible for the administration of the former AFDC and new TANF programs.

Under the former AFDC program, an individual recipient might, on occasion, receive a monthly Maintenance Assistance Payment in excess of the amount to which he or she was entitled. The State agency responsible for administering the Title IV-A program was then obligated to recover the overpayment from the recipient by means of a reduction in future payments to the recipient or by collecting a cash settlement.

Federal regulations at 45 Code of Federal Regulations 233.20 require States to continue efforts until the full amount of overpayment has been recovered, or until the State has exhausted recovery attempts and can determine collection efforts are no longer cost effective. Although the AFDC program was repealed and replaced with TANF, the requirement to recover AFDC overpayments remained in effect. The ACF issued a Program Instruction, TANF-ACF-PI-2000-2 (PI-2000-2), dated September 1, 2000, that required States to refund to ACF these AFDC overpayments recovered.

## **OBJECTIVE, SCOPE AND METHODOLOGY**

### ***Objective***

The objective of the audit was to determine whether the State had established systems and procedures to properly monitor, report, identify, collect and write-off overpayments related to the AFDC program; and to evaluate the adequacy of the systems and procedures in place to assure that overpayments were processed accurately, timely, and in compliance with Federal regulations.

### ***Scope***

Our audit covered the period July 1, 1993 through March 31, 2001. Our review of the State's internal controls was limited to obtaining an understanding of the policies and procedures relevant to our audit objectives. We interviewed State officials and a representative from the ACF Region IV office. Fieldwork was performed at the State offices in Montgomery, Alabama during June and July of 2001, and continued through January 2002 at the Office of Inspector General's Tallahassee Field Office in Tallahassee, Florida.

### ***Methodology***

To accomplish the objective, we contacted the State and determined the policies and procedures in effect to:

- identify AFDC overpayments;
- account for and monitor the collection activities of overpayments related to former and current AFDC recipients; and
- identify methods used by the State to determine which accounts are considered uncollectible and the State's policy for writing the overpayment off as uncollectible receivables.

We also contacted the Alabama Examiner of Public Accounts' Office and the DHR's internal auditors to determine what work they had performed in this area.

In addition, we reviewed reports submitted by the State to ACF, along with the supporting documentation for those reports.

State officials declined an invitation for an exit conference to discuss the draft report's findings and recommendations. On March 21, 2002, we received the State's written comments to the draft. In addition, at the suggestion of ACF, we modified the second recommendation regarding the manner in which the State should handle the overpayment it made to ACF.

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

## **FINDINGS AND RECOMMENDATIONS**

The State established systems and procedures to monitor, report, identify, and collect overpayments related to the AFDC program. The systems and procedures in place generally appeared adequate to assure that overpayments were processed accurately, timely, and in compliance with Federal regulations.

However, for the period April 1, 1997 through March 31, 2001, the State included TANF overpayment recoveries in the AFDC overpayment amount returned to ACF. According to ACF's PI-2000-2, the State should retain the Federal share of TANF overpayment recoveries for use in funding the TANF program.

The transmittal stated that if an AFDC overpayment occurred prior to October 1, 1996 and was recovered at any time, the Federal share must be returned to ACF. The Federal share was calculated by using the Fiscal Year 1996 Federal Medical Assistance Percentage rate. The funds were to be returned to ACF via check. The recovered funds were not identified on the Federal report to ACF (ACF-196 TANF report).

In addition the transmittal stated that if a TANF overpayment occurred after October 1, 1996 and was recovered, the recovered amount was not to be returned to ACF, but used in the TANF program. The recovered funds were applied as a credit against the TANF grant in the grant year in which the overpayment recovery was received and used for cash assistance expenditures in the year of recovery or in subsequent years. The recovered funds were not identified on the ACF-196 TANF report.

The State inadvertently refunded \$77,742 in TANF overpayment recoveries to ACF. This occurred because of computer programming errors discovered in two of the State's reporting systems.

The report used by the State to determine the AFDC and TANF overpayment recoupments (a FACETS System report) combined AFDC and TANF recoupments into one line item. This is the amount that the State has been using as a basis for its refund to ACF.

In the Comprehensive Claims System (CCS) the State has the capability to separate AFDC and TANF recoupments. When looking at this system the State found some programming problems with separating AFDC and TANF and separating cash and recoupments. When we requested a breakout of recoupments between AFDC and TANF, the State revised the CCS system to correct these problems. The State provided us with a revised schedule of AFDC and TANF recoupments during our audit period using information from the CCS.

In a reconciliation effort, the State used the revised CCS report to determine the amount of TANF recoupments inadvertently refunded to ACF. The State then determined the revised AFDC recoupment amount by subtracting the TANF amount from the total that had previously been reported using the FACETS system. This AFDC amount differed from the AFDC amount per the revised CCS report. Since there are time lags between the two systems, we do not believe this is the correct way to determine the adjustment amount.

To compute the TANF recoupment amount inadvertently refunded to ACF, we compared the Federal share of the AFDC recoupment amounts obtained from the revised CCS report to the AFDC recoupment amounts that were actually submitted to ACF. We believe the difference between these amounts is the amount of TANF recoupments inadvertently refunded to ACF.

If the State wants to use the FACETS system to make this adjustment and report AFDC recoupments in the future, they will have to revise the FACETS system so that it separates AFDC and TANF.

## **RECOMMENDATIONS**

We recommend that the State:

- correct the FACETS system report to split TANF and AFDC or use the Comprehensive Claims System report to determine recoupment amounts to be refunded to ACF; and
- make a \$77,742 adjustment by either: (1) offsetting future AFDC overpayment recoveries paid to ACF or (2) requesting ACF to issue a check for the amount overpaid. Under either adjustment method, the State should use the \$77,742 it overpaid to further the objectives of Alabama's TANF program.

## **State Comments**

In written comments to the draft report, State officials agreed with our findings and recommendations. State officials said they would continue to use the Comprehensive Claim System to determine the correct AFDC recoupment amounts to report to ACF. State officials also said that the \$77,742 has been adjusted on DHR's Federal reports to correct the amount the State returned in error.

- - - - -

Final determinations 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.

Page 6 - Bill Fuller

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), the 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 exemptions in the Act which the Department chooses to exercise (see 45 Code of Federal Regulations Part 5).

To facilitate identification, please refer to the above Common Identification Number (CIN) A-04-01-00008 in any correspondence related to this report.

Sincerely yours,



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

**Direct Reply to HHS Action Official:**

Regional Grants Officer  
Division of State Programs  
Administration for Children and Families, Region IV  
U.S. Department of Health and Human Services  
61 Forsyth Street, S.W., Suite 4M60  
Atlanta, Georgia 30303-8909



DON SIEGELMAN  
Governor

## State of Alabama Department of Human Resources

S. Gordon Persons Building  
50 Ripley Street  
P.O. Box 304000  
Montgomery, Alabama 36130-4000  
(334) 242-1310  
www.dhr.state.al.us  
March 11, 2002



Bill Fuller  
Commissioner

MAR 21 2002  
OFFICE OF THE COMMISSIONER

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

Dear Mr. Curtis:

RE: CIN A-04-01-00008

This is to inform you that we concur with each of the recommendations in the draft audit report pertaining to overpayment recoveries in the Aid to Families with Dependent Children program.

Recommendations and corrective actions are as follows:

1. Recommendation: Correct the FACETS system report to split TANF and AFDC or use the Comprehensive Claims System report to determine recoupment amounts to be refunded to ACF.

Corrective Action: The Alabama Department of Human Resources (DHR) has already begun and will continue to use the Comprehensive Claims System report to determine the correct recoupment amounts to be refunded to ACF. This system currently separates AFDC and TANF collections and allows determination of the amounts to be refunded. In the future, DHR may investigate the feasibility of breaking out AFDC and TANF recoupments in the FACETS system.

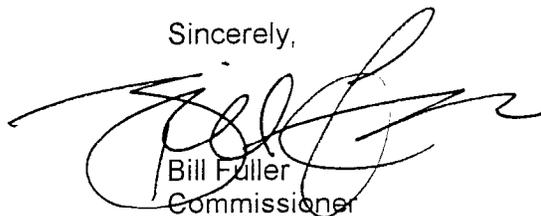
2. Recommendation: Make a \$77,742 adjustment on DHR's Federal Report to reflect the AFDC amount returned to ACF in error or compute an adjustment amount based on the FACETS system after the system has been corrected.

Corrective Action: The \$77,742 amount has already been adjusted via DHR's Federal Reports, to correct this amount that was returned in error.

Letter to Mr. Charles J. Curtis, Regional Inspector General  
Page 2  
March 11, 2002

Thank you for this audit of our overpayment recoveries, which has allowed us to make needed corrections in accounting and reporting of recoupment amounts. Please let us know if any additional information is needed.

Sincerely,



Bill Fuller  
Commissioner

BF:CC

cc: Alabama Department of Examiners  
of Public Accounts