

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**OVERPAYMENT COLLECTIONS
FOR THE AID TO FAMILIES WITH
DEPENDENT CHILDREN PROGRAM
BY NORTH DAKOTA**



**JANET REHNQUIST
INSPECTOR GENERAL**

**JANUARY 2002
A-08-02-03001**



Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64108

CIN: A-08-02-03001
January 9, 2002

Carol K. Olson, Executive Director
North Dakota Department of Human Services
600 E. Boulevard Ave., Dept. 325
Bismarck, North Dakota 58505-0257

Dear Ms. Olson:

This report provides you with the results of our review of Overpayment Collections made for the former Aid to Families with Dependent Children (AFDC) Program by the State of North Dakota Department of Human Services (DHS). The objective of our review was to determine whether the DHS remitted the Federal share of AFDC overpayment collections to the Federal government after the program was repealed.

The DHS has systems in place to identify, collect, account for, and remit the Federal share of AFDC overpayments. However, the Federal share of overpayments collected was not remitted quarterly after the program was repealed. We are recommending the DHS resume making *quarterly* payments for the Federal share of AFDC overpayments as required.

The DHS agreed with our findings and recommendation. The DHS's response is included in its entirety as Appendix C.

Introduction

BACKGROUND

The AFDC program was a Federal and State funded income maintenance program. It was administered by the State on behalf of needy families with dependent children. Beginning in 1996, States were eligible to participate in a new program entitled Temporary Assistance for Needy Families (TANF). This new program was implemented by the State of North Dakota on July 1, 1997.

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 CFR 233.20 require States to continue efforts until the full amount of overpayment has been recovered. Although the AFDC program was repealed and replaced with TANF, the requirement to recover AFDC overpayments remained in effect.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 (PI), Transmittal Number: TANF-ACF-PI-2000-2 dated September 1, 2000. This PI stated that:

For recoveries of former AFDC program overpayments made before October 1, 1996, States are required to repay to the Federal government the Federal share of these recoveries. These rules apply regardless of the fiscal year in which the recoveries are collected and received by the State. The Federal share of these recovered overpayments must be calculated by multiplying the total amount recovered by the Federal Medicaid Assistance Percentage (FMAP) rate in effect for the State during fiscal year 1996. States should not use the FMAP rate in effect during the year in which the overpayment occurred or the FMAP rate in effect during the year in which the recovery is made.

SCOPE OF REVIEW

Our review was conducted in accordance with generally accepted government auditing standards, except our review objectives did not require evaluation of the internal control structure. The objective of our review was to determine whether the State of North Dakota remitted the Federal share of AFDC overpayment collections to the Federal government after the program was repealed. We examined supporting documentation for AFDC overpayments collected by the State of North Dakota from October 1, 1995 through September 30, 2000.

To achieve our objective, we reviewed applicable sections of program instructions issued by the ACF and Federal regulations at 45 CFR 233.20. We researched the Cash Management Improvement Act - 31 CFR 205 to determine Federal requirements regarding interest on collections that were not remitted on a timely basis. We interviewed personnel responsible for operations, support, and integrity of AFDC overpayments.

We examined copies of the Forms ACF-231 for the period October 1, 1995 through June 30, 1997 prepared by the State of North Dakota. We considered other information provided to us, such as supporting documentation for AFDC overpayment data. A schedule of collections and payments covering October 1, 1996 through September 30, 2000 is attached as Appendix A.

Our fieldwork was performed at the offices of the DHS in Bismarck, North Dakota during July 2001.

Findings and Recommendation

The DHS remitted the Federal share of all AFDC overpayments collected between October 1, 1995 and September 30, 2000. However, payments were not remitted quarterly as required. We are recommending the DHS resume making regular *quarterly* payments for the Federal share of AFDC overpayment collections.

Overpayment Collections Remitted Late

The State of North Dakota did not remit all of the Federal shares of AFDC overpayments on a quarterly basis. The ACF issued TANF-ACF-PI 99-2 dated March 9, 1999 that stated:

In any quarter in which one or more of these overpayments are recovered, the Federal share must be returned to this agency with a check made payable to the U.S. Department of Health and Human Services....

The collections made after the program was repealed were remitted inconsistently. Actual collection periods for remittances ranged from two to nine months. Two of the payments were made representing collections made during only two months, one covered five months and another was made for nine months. Two other payments were for quarterly periods spanning different fiscal quarters.

Recommendation

We are recommending the DHS resume making regular *quarterly* payments for the Federal share of AFDC overpayments as required.

Other Matters

In accordance with the Cash Management Improvement Act:

... a State will incur an interest liability to the Federal Government on a refund transaction of Federal funds. A State interest liability will accrue from the day the refund is credited to a State account to the day the refund is either paid out for program purposes or credited to a Federal Government account.

Since the DHS did not make quarterly remittances as required, we believe the State may be liable for interest related to collections that were not remitted on a timely basis. The State should take these balances into consideration and include them in their yearend settlement with the U. S. Treasury Department.

Auditee Response

The DHS agreed with our findings and recommendation. Additionally, the DHS stated that its preliminary interest calculation indicates that DHS does not owe an interest penalty to the Federal government. The DHS's response is included in its entirety as Appendix C.

INSTRUCTIONS FOR AUDITEE RESPONSE

Final determinations as to actions to be taken on all matters reported will be made by the HHS action official identified below. We request that you respond to the recommendation in this report within 30 days from the date of this report to the HHS action official, presenting any comments or additional information that you believe may have a bearing on 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, Office of Inspector General, Office of Audit Services reports are made available to the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5). As such, within ten business days after the final report is issued, it will be posted on the world wide web at <http://www.hhs.gov/progorg/oig>.

Sincerely,



James P. Aasmundstad
Regional Inspector General for
Audit Services, Region VII

Enclosures

HHS Action Official:
Ms. Judy Galloway
Acting Regional Administrator
Federal Office Building
1961 Stout Street, 9th Floor
Denver, CO 80294-3538

Appendix A

**Schedule of Collections for the Federal Share of AFDC Overpayments
State of North Dakota
Bismarck, North Dakota
For the Period October 1, 1996 through September 30, 2000**

<u>Quarter</u>	<u>Amount Collected and Remitted</u>	<u>Date Remitted</u>
<u>FFY 97</u>		
Oct – Dec	\$ 6,205	02/12/97
Jan – Mar	5,072	05/18/98 ¹
Apr – Jun	13,127	05/18/98 ²
Jul – Sept	18,502	05/07/98
<u>FFY 98</u>		
Oct – Dec	11,795	05/07/98
Jan – Mar	10,072	05/07/98 ³
Apr – Jun	7,168	07/15/98
Jul – Sept	6,927	10/08/98
<u>FFY 99</u>		
Oct – Dec	11,194	01/08/99
Jan – Mar	5,816	04/07/99
Apr – Jun	13,440	07/13/99
Jul – Sept	5,356	09/08/99 ⁴
<u>FFY 00</u>		
Oct – Dec	6,328	11/05/99 ⁵
Jan – Mar	7,956	02/02/00 ⁶
Apr – Jun	7,342	05/02/00 ⁷
Jul – Sept	<u>9,085</u>	10/18/00 ⁸
	<u>\$145,385</u>	

¹ Payment was in the form of a credit granted to the State by ACF.

² Payment was in the form of a credit granted to the State by ACF.

³ This payment represents the period July 1, 1997 through March 31, 1998.

⁴ This payment represents the period July 1, 1999 through August 31, 1999.

⁵ This payment represents the period September 1, 1999 through October 31, 1999.

⁶ This payment represents the period November 1, 1999 through January 31, 2000.

⁷ This payment represents the period February 1, 2000 through April 30, 2000.

⁸ This payment represents the period May 1, 2000 through September 30, 2000.

Appendix B

REVIEW OF
AFDC OVERPAYMENT COLLECTIONS
BY THE STATE OF NORTH DAKOTA

AUDIT REPORT CIN: A-08-02-03001
KANSAS CITY, MISSOURI

OFFICE OF AUDIT INDIVIDUALS HAVING ACCESS TO SOURCE
INFORMATION REGARDING THIS AUDIT REPORT

Name, Title

Gregory Tambke, Audit Manager
Randy Parker, Senior Auditor
Michael Helmick, Auditor

Class of Persons Having Access to this Report

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**NORTH DAKOTA DEPARTMENT
OF HUMAN SERVICES**John Hoeven, Governor
Carol K. Olson, Executive Director(701) 328-1980
Toll Free 1-800-472-2622
Fax (701) 328-2359CIN: A-08-02-03001
December 31, 2001Gregory Tambke, Audit Manager
HHS/OIG/OAS
2425 Hyde Park Road
Jefferson City, Missouri 65109

Dear Mr. Tambke:

The following represents the ND Department of Human Services responses to your office's review of Overpayment Collections made for the former Aid to Families with Dependent Children (AFDC) Program.

Recommendation: DHS resume making regular quarterly payments for the Federal Share of AFDC overpayment collections.

Response: DHS has been making regular quarterly payments since September 2000. This was in conjunction with ACF Program Instructions (PI), TANF-ACF-PI-2000-2. Prior to the issuance of this PI the Department was sending in payments whenever the collected amount exceeded \$10,000. This procedure had been implemented with guidance from the Program Manager of ACF in Denver.

DHS will continue to send in its payments on a quarterly basis.

Other Matters: Since the Department did not make regular quarterly payments the State may be liable for interest related to the filing of collections.

Response: Based upon the timing of payments our preliminary interest calculation indicates the Department does not owe an interest penalty to the Federal government.

If you have any questions you can reach me at 701 328-4052 or my E-mail address is sohop1@nd.state.us.

Sincerely,

Lawrence Hopkins, CPA
Accounting Manager
Fiscal Administration