

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF OVERPAYMENT
COLLECTIONS BY AID TO FAMILIES
WITH DEPENDENT CHILDREN (AFDC)
BY COLORADO DEPARTMENT OF
OFFICE OF SELF-SUFFICIENCY (OSS)**



**JANET REHNQUIST
INSPECTOR GENERAL**

**FEBRUARY 2002
A-08-02-03005**

Office of Inspector General

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Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

CIN: A-08-02-03005
February 19, 2002

Danelle E. Young, Manager
State of Colorado
Office of Self-Sufficiency
1575 Sherman St.
Denver, Colorado 80203

Dear Ms. Young:

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 Colorado Department of Office of Self-Sufficiency (OSS). The objective of our review was to determine whether the OSS remitted the Federal share of AFDC overpayment collections to the Federal government after the program was repealed.

The OSS has sufficient systems in place to collect and remit AFDC overpayments to the Federal government. During the period October 1, 1996 through June 30, 2001, the OSS remitted the Federal share of AFDC overpayments totaling \$6,062,672 to the U.S. Department of Health and Human Services - Administration for Children and Families (ACF).

However, payments were not always submitted quarterly as required. The OSS also made an adjustment to correct errors made calculating the Federal share of the overpayment collections. The OSS corrected the error with an adjustment included in a regular quarterly payment.

We are recommending the OSS ensure that payments for the Federal share of AFDC overpayments are remitted *quarterly*.

The OSS agreed with our findings and recommendation. The OSS'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 Colorado 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 remains 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 Colorado remitted the Federal share of AFDC overpayment collections to the Federal government. We examined supporting documentation for AFDC overpayments collected by the OSS from October 1, 1996 through June 30, 2001.

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 examined copies of transmittal letters used to remit payments to the ACF and payment vouchers for the period October 1, 1996 through March 31, 2001 prepared by the OSS. We considered other information provided to us, such as the general ledger accounts that supported the AFDC overpayment data. A schedule of collections and payments covering October 1, 1996 through June 30, 2001 is attached as Appendix A.

Our fieldwork was performed at the offices of the OSS in Denver, Colorado during October 2001.

Findings and Recommendations

The OSS collected \$6,062,672 representing the Federal share of AFDC overpayments collected between October 1, 1996 and March 31, 2001. That amount was remitted to the Federal government in a number of payments beginning January 29, 1997. Some of those payments were not remitted quarterly as required.

Overpayment Collections Not Timely Remitted

On March 9, 1999, the ACF issued a PI, Transmittal Number: TANF-ACF-PI 99-2 that states:

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 Federal share of AFDC overpayment collections made by the OSS between October 1, 1996 and June 30, 2001 were remitted to the ACF. Most of these payments were submitted on a quarterly basis within 30 days of the end of the quarter. Two payments were made representing collections accumulated during two quarters. On both of those occasions, the payments were made four months after the end of the second quarter. An additional payment was also made late - four months after the end of the quarter. These three payments totaled \$1,776,817.

During the period April 1, 2000 to March 31, 2001, the OSS did not remit the proper amount to ACF for overpayment collections. This was caused by an error in the formula used to calculate the Federal share. The formula did not include the Federal share of both the reduction of assistant payments to beneficiaries and the amounts received from prior period write offs. Therefore, an adjustment was made for \$151,196 and remitted with their payment for the quarter ended June 30, 2001.

Recommendation

We recommend the OSS ensure payments made for the Federal share of AFDC overpayment collections are remitted *quarterly* as required.

Other Matters

In accordance with the Cash Management Improvement Act (CMIA):

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.

Because the OSS did not make quarterly remittances as required in all instances, 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 OSS agreed with our findings and recommendation. The OSS stated, "*We have reviewed our process of making payments and have identified areas where time saving measures can be taken to ensure that payments are made within the thirty day time frame as requested.*" The OSS did not comment on the Other Matters section of our report. The OSS'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 and Remittances
Federal Share of AFDC Overpayments
Office of Self-Sufficiency
Denver, Colorado
For the Period October 1, 1996 through March 31, 2001**

<u>Quarter</u>	<u>Amount Collected</u>	<u>Amount Remitted</u>	<u>Date Remitted</u>
<u>FFY 97</u>			
Oct – Dec	\$ 233,989	\$ 233,989	01/29/97
Jan – Mar	215,123	215,123	04/29/97
Apr – Jun	373,787	373,787	08/04/97
Jul – Sep	402,924		
<u>FFY 98</u>			
Oct – Dec	224,816	627,740	04/07/98 ¹
Jan – Mar	339,749	339,749	04/28/98
Apr – Jun	544,298	544,298	07/31/98
Jul – Sep	259,675	259,675	10/28/98
<u>FFY 99</u>			
Oct – Dec	164,877	164,877	01/29/99
Jan – Mar	280,289	280,289	04/30/99
Apr – Jun	653,058	653,058	07/12/98
Jul – Sep			
<u>FFY 00</u>			
Oct – Dec	396,531	396,531	03/30/00 ²
Jan – Mar	189,418	189,418	04/17/00
Apr – Jun	742,546	742,546	10/30/00
Jul – Sep	118,960	118,960	10/30/00
<u>FFY 01</u>			
Oct – Dec	89,454	89,454	02/28/01
Jan – Mar	377,256	377,256	05/21/01
Apr – Jun	<u>455,922</u>	<u>455,922</u>	08/17/01 ³
	<u>\$6,062,672</u>	<u>\$6,062,672</u>	

¹ This payment represents the amounts collected in the quarters ended 9/30/97 and 12/31/97.

² This payment represents the amounts collected in the quarters ended 9/30/99 and 12/31/98.

³ This payment contains an adjustment of \$151,196 for the four previous quarters.

REVIEW OF
AFDC OVERPAYMENT COLLECTIONS
BY THE STATE OF COLORADO

AUDIT REPORT CIN: A-08-02-03005
DENVER, COLORADO

INDIVIDUALS HAVING ACCESS TO SOURCE
INFORMATION REGARDING THIS AUDIT REPORT

Name, Title

Gregory Tambke, Audit Manager
Randy Parker, Senior Auditor
Brent Owens, Auditor
Richard King, Independent Reviewer

Class of Persons Having Access to this Report

Office Administrative Personnel

STATE OF COLORADO

COLORADO DEPARTMENT OF HUMAN SERVICES

Office of Self Sufficiency
1575 Sherman Street
Denver, Colorado 80203-1714
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Bill Owens
Governor

Mark J. Mangano
Executive Director

January 30, 2002

CIN:A-08-02-03005

Gregory Tambke, Audit Manager
HHS/OIG/OAS
2425 Hyde Park Road
Jefferson City, Missouri 65109

Dear Mr. Tambke:

We have received your draft audit report for the review of overpayment collections made for the former Aid to Families with Dependent Children (AFDC) program by the State of Colorado Department of Office of Self-Sufficiency (OSS). Our response to your "Recommendation" follows:

Recommendation: "We recommend the OSS ensure payments made for the Federal share of AFDC overpayment collections are remitted quarterly as required."

OSS Response: We have reviewed our process of making payments and have identified areas where time saving measures can be taken to ensure that payments are made within the thirty day time frame as requested.

If you have additional questions concerning the AFDC review please feel free to contact Kathleen (Trinka) Mullin in the Division of Accounting at (303) 866-3623 or Geneva Lottie in the Division of Colorado Works at (303) 866-5971.

Sincerely,

Danelle Young, Manager
Office of Self Sufficiency

Cc: Kevin R. Richards, Director of Colorado Works
Dick Taylor, Accounting Director