

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW YORK DID NOT HAVE ADEQUATE
OVERSIGHT OF ITS REPORTED
TEMPORARY ASSISTANCE FOR NEEDY
FAMILIES PROGRAM EXPENDITURES**

*Inquiries about this report may be addressed to the Office of Public Affairs at
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A-02-17-02005

Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief

Date: May 2021

Report No. A-02-17-02005

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Temporary Assistance for Needy Families (TANF) program provides grants to States to help low-income families with financial assistance and support for work-related activities, child care, and other services. As a condition of receiving Federal TANF funds, States are required to spend a certain amount of their own funds (known as State maintenance-of-effort (MOE) funds) on TANF-allowable expenditures. Effective fiscal year (FY) 2015, States must use a revised form to report their TANF and MOE expenditures quarterly to the Administration for Children and Families (ACF). Therefore, we decided to review States' compliance with the revised TANF reporting requirements. We audited New York's compliance because a prior OIG audit of TANF Basic Assistance payments in New York identified significant areas of noncompliance with Federal requirements.

Our objective was to determine whether New York ensured that its TANF and MOE expenditures reported to ACF met Federal requirements.

How OIG Did This Audit

Our audit covered \$4.8 billion in reported TANF and MOE funds expended by New York during FY 2016. We reviewed these expenditures and traced them to summary worksheets. We also reviewed selected expenditures from two local districts for supporting documentation for the quarter ending September 30, 2016.

New York Did Not Have Adequate Oversight of Its Reported Temporary Assistance for Needy Families Program Expenditures

What OIG Found

New York's oversight did not ensure that its reported TANF and MOE expenditures met Federal requirements. Specifically, although New York timely submitted required expenditure reports to ACF, except for certain State tax credits, it did not ensure the accuracy of the other expenditures reported to ACF. Rather, New York relied on its local districts and TANF-funded State programs to compile and maintain supporting documentation for its reported expenditures and did not review the documentation.

As a result, New York could not ensure that its reported TANF program expenditures for FY 2016, totaling \$4.8 billion in TANF and MOE expenditures, met Federal requirements and were used in accordance with the intended purposes of its TANF grant. Inaccurate reporting of TANF program expenditures could negatively impact ACF's program decision making related to how States use their TANF and MOE funds.

What OIG Recommends and New York Comments

We recommend that New York: (1) work with its local districts and TANF-funded State programs to develop financial management procedures that would enable it to determine if TANF and MOE expenditures are accurately reported to ACF, including the \$4.8 billion in TANF and MOE expenditures reported for FY 2016; and (2) improve its oversight of the TANF program by providing additional guidance and training to ensure that its local districts accurately report expenditures and maintain adequate documentation to support TANF and MOE expenditures reported.

New York agreed with our recommendations and stated that the recommendations are its currently established practices. New York stated that it will continue to pursue ways to further strengthen its oversight of the TANF program. New York also stated that the title of the report is misleading and unfairly mischaracterizes its existing oversight and monitoring policies and practices. We maintain that our report title, findings and recommendations are valid. We acknowledge New York's comments about its robust TANF program monitoring function and efforts made to strengthen its oversight of the program. However, we determined that New York did not have adequate oversight during our audit period to ensure that its reported TANF program expenditures met Federal requirements.

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INTRODUCTION

WHY WE DID THIS AUDIT

The Temporary Assistance for Needy Families (TANF) program provides grants to States to help low-income families with financial assistance and support for work-related activities, child care, and other services. As a condition of receiving Federal TANF funds, States are required to spend a certain amount of their own funds (known as State maintenance-of-effort (MOE) funds) on TANF-allowable expenditures.¹ States must report their expenditures quarterly to the Administration for Children and Families (ACF). Effective fiscal year (FY) 2015, ACF required States to use a revised form (ACF-196R) to report their TANF financial expenditures data.² Therefore, we decided to review States' compliance with the revised TANF reporting requirements. We audited New York's reporting of TANF and MOE expenditures because a prior Office of Inspector General audit of TANF Basic Assistance payments in New York State identified significant areas of noncompliance with Federal requirements.³

OBJECTIVE

Our objective was to determine whether the New York State Office of Temporary and Disability Assistance (the State agency) ensured that its TANF and MOE expenditures reported to ACF met Federal requirements.

BACKGROUND

The Temporary Assistance for Needy Families Program

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996⁴ established the TANF program to help families progress from welfare to self-sufficiency. Under TANF, the Federal government provides States \$16.6 billion in annual block grants to design and operate

¹ States are required to spend a minimum percentage of their historic State expenditures to meet basic MOE requirements. Allowable MOE expenditure categories include cash assistance, childcare assistance, education activities, administrative costs, and costs for information technology (Social Security Act § 409(a)(7) and 45 CFR §§ 263.1-263.2).

² On May 2, 2014, the Office of Management and Budget approved the use of the ACF-196R State TANF Financial Report Form. The ACF-196R is used by States administering the TANF program to report quarterly expenditure data and to request quarterly grant funds. The revised form modified and expanded the list of expenditure categories and changed the accounting method for reporting expenditures and monitoring grant awards.

³ *Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in New York State for July 1 Through December 31, 2005* ([A-02-06-02015](#)) October 31, 2007.

⁴ P.L. No. 104-193.

programs that accomplish the TANF program's four purposes.⁵ States have broad flexibility in how they spend their TANF and MOE funds. At the Federal level, ACF's Office of Family Assistance administers the TANF program and provides oversight for compliance with Federal requirements.

Federal Requirements

States may use Federal TANF funds for expenditures that are reasonably calculated to accomplish the purposes of the TANF program or for which the State was authorized to use funds under prior law (45 CFR § 263.11). TANF and MOE expenditures must be necessary, reasonable, and allocable to the performance of the TANF program and be adequately documented (45 CFR §§ 75.403(a) and (g)). States must also submit quarterly reports of TANF data and financial information to ACF using the ACF-196R (Social Security Act § 411 and 45 CFR § 265.3).⁶ States' quarterly ACF-196R reports must be complete and accurate and filed by the due date. States must maintain records to adequately support any report (45 CFR § 265.7).

States' financial management systems must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The financial management system must provide accurate, current, and complete disclosure of the financial results of each Federal award or program; maintain records that identify adequately the source and application of funds for federally-funded activities; and have effective control over, and accountability for, all funds, property, and other assets (45 CFR § 75.302).

New York's Temporary Assistance for Needy Families Program Expenditures

In New York, the State agency administers the TANF program and delegates local social services districts (local districts)⁷ to operate their local program. The State agency provided guidance to local districts regarding the proper determination of eligibility for cash assistance and energy

⁵ The program's purposes are to: (1) provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families.

⁶ Beginning with the FY 2015 first quarter report, States would use the ACF-196R to report TANF and MOE expenditures quarterly and, if necessary, the ACF-196 (prior form) to adjust expenditures of funds for grant years prior to FY 2015. After a State expends all funds for grant years prior to FY 2015, it will no longer need to use the ACF-196.

⁷ In New York State, each county is considered its own social services district, except the five counties that make up New York City, which are considered a single district.

payments made through Temporary Assistance.⁸ It also issued policy directives on certain locally operated TANF programs, including funding allocation and reporting requirements.⁹

For FY 2016, ACF awarded the State agency \$2.7 billion in Federal TANF funds and the State agency reported a total of \$5.3 billion in TANF and MOE expenditures on its ACF-196R reports. These expenditures included \$4.8 billion¹⁰ in total assistance payments and support expenditures for TANF-eligible families and individuals¹¹ and \$558 million transferred to two other ACF-funded programs—the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG) programs.¹²

The State agency obtained total TANF and MOE expenditures from local districts and TANF-funded State programs¹³ and reported these amounts on its ACF-196R reports. Local districts were responsible for collecting and maintaining supporting documentation for assistance payments and support services reported as TANF and MOE expenditures and submitted monthly summary reports of these expenditures to the State agency. On a quarterly basis, the State agency used summary reports submitted by the local districts to the State agency's claims reporting system, gathered data from several schedules in these summary reports, and used a preset formula to calculate totals for both TANF and MOE expenditures. The State agency then combined these totals with monthly or quarterly expenditure totals from TANF-funded State programs, including program administrative expenditures, and reported its total quarterly TANF and MOE expenditure amounts to ACF on the ACF-196R. Figure 1 on the next page illustrates the State agency's multi-layered process for reporting TANF and MOE expenditures.

⁸ *Temporary Assistance Source Book and Temporary Assistance Energy Manual.*

⁹ 2016 New York State Summer Youth Employment Program Allocations (16-LCM-06) and 2016-17 Flexible Fund for Family Services (16-ADM-10).

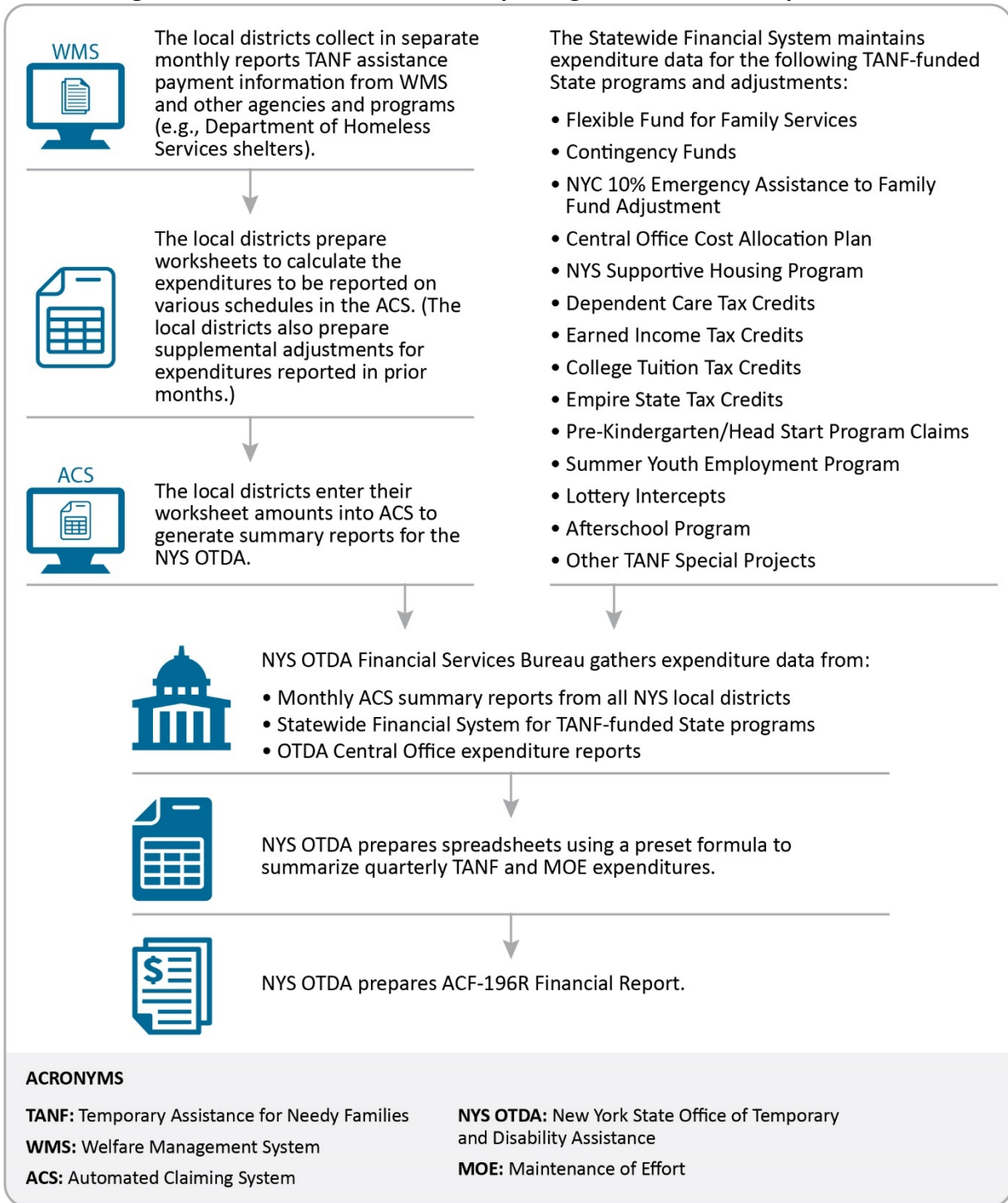
¹⁰ The \$4.8 billion consisted of \$2 billion in TANF expenditures and \$2.8 billion in MOE expenditures.

¹¹ Expenditure categories included Basic Assistance, Work, Education and Training Activities, Early Care and Education, Non-Recurrent Short-Term Benefits, Supportive Services, Services for Children and Youth, and Child Welfare Services.

¹² States can transfer up to 30 percent of their TANF funds to these programs.

¹³ TANF-funded State programs included a summer youth employment program, State tax credits for college tuition, and Head Start.

Figure 1: New York's Process for Reporting TANF and MOE Expenditures



HOW WE CONDUCTED THIS AUDIT

Our audit covered \$4.8 billion in reported TANF and MOE funds expended by the State agency during FY 2016 (October 1, 2015, through September 30, 2016).¹⁴ We reviewed these expenditures and traced them to the State agency's summary worksheets. We also reviewed selected expenditures and supporting documentation from two local districts (New York City (NYC) and Suffolk County (Suffolk)) for the quarter ending September 30, 2016.^{15, 16, 17}

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology. Appendix B contains the details on Federal requirements for TANF and MOE expenditures.

FINDINGS

The State agency's oversight did not ensure that its reported TANF and MOE expenditures met Federal requirements. Specifically, although the State agency timely submitted required expenditure reports to ACF, except for certain State tax credits,¹⁸ it did not ensure the accuracy of the other expenditures reported on its ACF-196R.

¹⁴ This was the most recent data available at the start of our audit. We did not review how the \$558 million transferred to the CCDF and SSBG was used. We only verified that no more than 30 percent of the State agency's \$2.7 billion TANF grant was used for these programs (Social Security Act § 404(d)).

¹⁵ We selected Basic Assistance expenditures because this expenditure category was the largest category (\$1.5 billion). ACF defined Basic Assistance as cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (e.g., for food, clothing, shelter, and utilities).

¹⁶ We selected NYC and Suffolk because they reported the two largest Basic Assistance expenditure amounts for FY 2016—\$1.1 billion and \$65 million, respectively. Together, NYC and Suffolk reported 74 percent of the State's total Basic Assistance expenditures. The remaining local districts reported a combined \$404 million (26 percent) in Basic Assistance expenditures.

¹⁷ For the quarter ending September 30, 2016, NYC reported \$225 million and Suffolk reported \$16 million in Basic Assistance expenditures for cash assistance, emergency assistance, family shelter, domestic violence shelter, and other assistance expenditures such as emergency and disaster-related shelters, temporary shelter for the homeless, carfare, and portions of child support collections passed through (paid) to custodial parents. We judgmentally selected for review 59 NYC and Suffolk Basic Assistance payments (47 NYC payments and 12 Suffolk payments) for the month of July 2016 based on payment amounts, eligibility categories, and payment types.

¹⁸ The State agency provided documentation that it sampled and reviewed some individual taxpayer returns to determine whether the associated earned income and dependent care tax credits were eligible to be claimed as MOE expenditures.

The State agency did not have adequate financial management procedures to ensure that TANF program expenditures reported to ACF were used in accordance with the intended purposes of the TANF grant. The State agency had procedures for obtaining TANF and MOE expenditure amounts from local districts and TANF-funded State programs and for reporting these expenditures on the ACF-196R reports. However, the State agency relied on the local districts and TANF-funded State programs to compile and maintain all supporting documentation for reported expenditures. State agency officials stated that they did not review the supporting documentation.

As a result, the State agency could not provide assurance that its reported TANF program expenditures for FY 2016, totaling \$4.8 billion in TANF and MOE expenditures, met Federal requirements and were used in accordance with the intended purposes of its TANF grant. Inaccurate reporting of TANF program expenditures could negatively impact ACF's program decision making related to how States use their TANF and MOE funds.

The State Agency Did Not Ensure Accurate Reporting or Proper Maintenance of Supporting Documentation for Temporary Assistance for Needy Families Program Expenditures

States' expenditures of Federal TANF funds must be reasonably calculated to accomplish the purposes of the TANF program (45 CFR § 263.11). TANF and MOE expenditures must be necessary, reasonable, and allocable to the performance of the TANF program and be adequately documented (45 CFR §§ 75.403(a) and (g)). Further, States' quarterly reports must be complete and accurate, and States must maintain records to adequately support any report (45 CFR § 265.7). In addition, States' financial management systems must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award (45 CFR § 75.302).

The State agency did not ensure accurate reporting or proper maintenance of supporting documentation for TANF and MOE expenditures reported by its local districts and TANF-funded State programs. The State agency maintained local districts' summary reports and obtained monthly or quarterly expenditure totals from TANF-funded State programs. It also prepared summary worksheets to calculate TANF and MOE expenditures. However, it did not ensure local districts accurately reported their TANF program expenditures or maintained adequate supporting documentation for reported expenditures. In addition, based on our

review of selected expenditures at two local districts, we determined that the local districts relied on individual local agencies and programs to maintain the supporting documentation for their reported expenditures. We note that we were unable to obtain support for all reported expenditures.¹⁹ Specifically, of the 59 judgmentally selected Basic Assistance expenditures at the two local districts, 10 payments (17 percent) did not meet Federal requirements or were not adequately supported.²⁰ (See Figure 2 for examples.)

Figure 2: Sampled Expenditures Did Not Meet Federal Requirements or Were Not Supported

The following are examples of sampled expenditures at one district (NYC) that did not meet Federal requirements or were not supported.

- The district made six payments for carfare based on incorrect estimates of allowable public transportation expenses.
- The district made two housing-related payments for which it did not provide sufficient documentation to support the expenses. For both payments, the district relied on a local agency to maintain the supporting documentation.

RECOMMENDATIONS

We recommend that the New York State Office of Temporary and Disability Assistance:

- work with its local districts and TANF-funded State programs to develop financial management procedures that would enable the State agency to determine if TANF and MOE expenditures are accurately reported to ACF, including the \$4.8 billion in TANF and MOE expenditures reported for FY 2016; and
- improve its oversight of the TANF program by providing additional guidance and training to ensure that its local districts accurately report expenditures and maintain adequate documentation to support TANF and MOE expenditures reported.

¹⁹ For Suffolk, the State agency did not fulfill our requests to provide supporting documentation for some summary reports and child support collection amounts.

²⁰ Seven payments did not meet Federal requirements and three payments were not adequately supported.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our recommendations and stated that the recommendations are the currently established practices of the State agency. The State agency further described its current policies and procedures to ensure local districts comply with Federal and State requirements for the TANF program. It also stated that, if State agency officials indicated that they did not review supporting documentation for TANF program expenditures reported by local districts, OIG misunderstood the intent of these comments. Finally, the State agency stated that it will continue to pursue ways to further strengthen its oversight of the TANF program.

In its comments, the State agency stated that the title of the report is misleading and unfairly mischaracterizes its existing oversight and monitoring policies and practices. The State agency also stated that it was not given sufficient opportunity to provide information regarding the full scope of its monitoring activities for the TANF program and detailed a number of its components' monitoring efforts, including reviews conducted by its Temporary Assistance (TA) Bureau and Financial Services Bureau.²¹ The State agency provided information regarding its procedures for receiving, reviewing, and processing applications for assistance, and for determining eligibility for benefits, and stated that the results of our judgmental sample could not be applied to the entire Basic Assistance payment population.

The State agency's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments, we maintain that our report title, findings and recommendations are valid. State agency officials indicated that the State agency did not review supporting documentation for expenditures reported by the local districts because the documentation was maintained at the local district level.²²

The objective of our audit was to determine whether the State agency ensured that its FY 2016 TANF and MOE expenditures reported to ACF met Federal requirements. We reviewed the State agency's procedures for reporting expenditures and its monitoring activities related to our objective. We did not review the State agency's internal controls over its entire TANF program, including its procedures for receiving, reviewing, and processing applications for assistance, and for determining eligibility for benefits. Throughout the audit, we provided several opportunities for the State agency, including its TA Bureau and Financial Services

²¹ According to the State agency, its TA Bureau oversees TANF program eligibility. For example, the State agency described how the bureau reviews documentation to confirm the accuracy of TANF program eligibility determinations and resulting TANF payments.

²² We also note that State agency officials referred us to the local districts when we sought such supporting documentation.

Bureau, to discuss its monitoring and oversight activities for the reporting of TANF and MOE expenditures and to provide information relevant to such activities.²³

We acknowledge the State agency's comments about its robust TANF program monitoring function and efforts made to strengthen its oversight of the program. However, we determined that the State agency did not have adequate oversight during our audit period to ensure that its reported TANF program expenditures met Federal requirements. Specifically, during our audit period, the State agency did not have policies and procedures in place to review TANF and MOE expenditures reported by local districts and did not review the local districts' supporting documentation prior to reporting their TANF and MOE expenditures.

Further, the State agency mischaracterized our use of judgmental sampling. We did not apply the results of the judgmental sample to the entire Basic Assistance payment population. Rather, we used the results to illustrate why the State agency may want to have procedures to review what its local districts reported for their TANF and MOE expenditures.

²³ For example, we conducted entrance and exit conferences with the State agency; met with State agency officials during a 2-day site visit to the State agency's offices in Albany, New York; and invited State agency officials to meetings with local district officials. Officials from the TA Bureau were present at the entrance conference and the meeting held on the first day of our site visit along with officials from the Financial Services Bureau. The State agency indicated that the Federal Reporting Unit within its Financial Services Bureau was responsible for compiling the agency's quarterly ACF-196R reports and would provide us the information required for our audit.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed \$4,756,132,559 in TANF and MOE funds²⁴ expended by the State agency during FY 2016. We reviewed expenditures that the State agency reported to ACF for FY 2016 and traced the reported expenditures to summary worksheets. We also selected NYC and Suffolk for transaction level review of their Basic Assistance expenditures^{25, 26} and reviewed their supporting documentation for the quarter ending September 30, 2016.²⁷

We limited our review of the State agency's internal controls over the TANF program to those applicable to the expenditures reviewed because our objective does not require an understanding of all internal controls over the program.

We performed our fieldwork at the State agency's office in Albany, New York, NYC's local district office in New York, New York, and Suffolk's local district office in Ronkonkoma, New York.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal TANF laws, regulations and guidance;
- met with ACF officials to gain an understanding of and to obtain information on the TANF program;
- met with State agency officials to obtain an understanding of their procedures, including any guidance issued to the local districts, for compiling and reporting TANF and MOE expenditures;

²⁴ The \$4,756,132,559 consists of \$1,940,050,949 in TANF expenditures and \$2,816,081,610 in MOE expenditures.

²⁵ We selected Basic Assistance because it represented the largest expenditure category reported at \$1,534,089,582 for FY 2016.

²⁶ We selected NYC and Suffolk because they reported the two largest Basic Assistance expenditures for FY 2016 at \$1,093,389,597 and \$65,421,983, respectively. The remaining 56 local districts combined reported \$404,026,300 in total Basic Assistance expenditures.

²⁷ For the quarter ending September 30, 2016, NYC reported \$224,830,083 and Suffolk reported \$15,615,823 in Basic Assistance expenditures for cash assistance, emergency assistance, family shelter, domestic violence shelter, and other assistance expenditures such as emergency and disaster-related shelters, temporary shelter for the homeless, carfare, and portions of child support collections passed through (paid) to custodial parents.

- obtained from the State agency the quarterly ACF-196R TANF data and financial reports and MOE data reports submitted to ACF for FY 2016;
- requested from the State agency supporting documentation for TANF and MOE expenditure categories and transfers reported on the quarterly ACF-196R reports for FY 2016;
- reviewed reports and worksheets provided by the State agency and traced the summary amounts to the quarterly ACF-196R reports for FY 2016;
- selected the Basic Assistance expenditure category for detailed review of transactions; and:
 - selected NYC and Suffolk for review because they reported the two largest Basic Assistance expenditure amounts in FY 2016;
 - met with NYC and Suffolk local district officials to discuss their processes for tracking and reporting TANF and MOE expenditures for Basic Assistance to the State agency;
 - obtained from NYC and Suffolk data and documentation to support the TANF and MOE expenditures reported as Basic Assistance for FY 2016 4th quarter, covering July 2016 through September 2016;²⁸
 - judgmentally selected 59 NYC and Suffolk Basic Assistance payments (47 NYC payments and 12 Suffolk payments) for the month of July 2016;²⁹ and
 - obtained beneficiary case records and supporting documentation for each selected payment to determine whether the district accurately reported the expenditure;³⁰ and
- summarized the results of our audit and discuss these results with State agency officials.

²⁸ Specifically, we obtained monthly summary reports for Basic Assistance payments from the WMS and other local agencies and programs, worksheets for calculating and reporting TANF and MOE expenditures on various schedules in the ACS, and information on supplemental adjustments for expenditures reported in prior months. (See Figure 1 for descriptions of WMS and ACS.)

²⁹ We judgmentally selected for review 59 NYC and Suffolk Basic Assistance payments (47 NYC payments and 12 Suffolk payments) for the month of July 2016 based on payment amounts, eligibility categories, and payment types.

³⁰ We verified the reported payment amounts and determined whether payments were adequately supported and whether payments were reported in the appropriate expenditure category.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: FEDERAL REQUIREMENTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES AND MAINTENANCE-OF-EFFORT EXPENDITURES

Public Law 104-193, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, amended sections 401 through 419 of the Social Security Act to establish the TANF program. The four purposes of TANF block grants to States are to: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families (Social Security Act § 401(a)).

The minimum basic MOE for a fiscal year is 80 percent of a State's historic State expenditures. The basic MOE drops to 75 percent if a State meets the minimum work participation rate requirements. State expenditures that count toward meeting a State's basic MOE expenditure requirement include the following: (1) cash assistance, (2) child care assistance, (3) education activities, (4) any other funds allowable under Social Security Act § 404(a)(1), and (5) administrative costs and costs for information technology (Social Security Act § 409(a)(7) and 45 CFR §§ 263.1-263.2).

States' expenditures of Federal TANF funds must be: (1) reasonably calculated to accomplish the purposes of the TANF program, or (2) authorized for the State under prior law Title IV-A or IV-F as of September 30, 1995 (Social Security Act § 404(a) and 45 CFR § 263.11).

TANF and MOE expenditures must be necessary, reasonable, and allocable to the performance of the TANF program and be adequately documented (45 CFR §§ 75.403(a) and (g)).

States must submit quarterly reports of TANF data and financial information to ACF using the ACF-196R. States that claim MOE expenditures for separate State programs must also report the MOE data to ACF on a quarterly basis. States' quarterly reports must be complete and accurate and filed by the due date. States must maintain records to adequately support any report (Social Security Act § 411 and 45 CFR §§ 265.3, 265.7).

APPENDIX C: STATE AGENCY COMMENTS



ANDREW M. CUOMO
Governor

Office of Temporary and Disability Assistance

MICHAEL P. HEIN
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

March 15, 2021

Amy J. Frontz
Deputy Inspector General for Audit Services
HHS/OIG/OAS
28 Federal Plaza, Room 3900
New York, NY 10278

Re: TANF Review A-02-17-02005

Dear Ms. Frontz:

The New York State Office of Temporary and Disability Assistance (OTDA) respectfully submits this response to the Department of Health and Human Services (HHS), Office of Inspector General's (OIG) draft report titled "New York Did Not Have Adequate Oversight of Its Reported Temporary Assistance For Needy Families Program Expenditures" (A-02-17-02005 (January 2021) (hereinafter the "Draft Report")).

Before addressing the Draft Report findings and recommendations, it will be helpful to provide a brief background as to New York's structure, operation, and delivery of assistance benefits.

I. Background

OTDA's mission is to help vulnerable New Yorkers meet their essential needs and advance economically by providing opportunities for stable employment, housing, and nutrition. OTDA utilizes the Federal Temporary Assistance for Needy Families (TANF) program funds to support a wide range of programs and services that are designed to address and support the Agency's mission of assisting low-income households within the State. Temporary Assistance (TA) is the largest component of TANF funding and is comprised of the Family Assistance (FA), Emergency Assistance for Families (EAF), and Safety Net Assistance (SNA) programs which provide cash benefits to eligible households.

In New York, the TA program is State supervised and locally administered; that is, OTDA has jurisdiction and authority over the program, and develops the policies under which all 58 county-level social services districts ("Districts") must conduct operations. The Districts, under OTDA policy directives and guidance, are directly responsible for implementing controls for receiving, reviewing, and processing applications for assistance. These applications are entered into OTDA's systems which utilize numerous edits and controls to further verify compliance with basic program requirements.

OTDA continually works with the Districts to provide policy and program guidance and confirm that the Districts understand and are following all Federal and State requirements for TANF, including determining eligibility for benefits. OTDA's electronic systems, in conjunction with varied programmatic monitoring activities and numerous data matches, also assist in strengthening the accuracy of eligibility determinations made by the Districts. OTDA monitors Districts' case processing and the application of program rules during annual reviews and audits, as well as through ad hoc reviews and analyses. OTDA's oversight practices and procedures are also audited annually, under the Single Audit Act, by external auditors.

With this background in mind, we would like to respond in detail to some of the specific points made in the Draft Report.

II. Current Monitoring Activities

The Draft Report, as currently written, suggests that *"New York's oversight did not ensure that its reported TANF/MOE expenditures met Federal requirements. Specifically, although New York timely submitted required expenditure reports to ACF, except for certain State tax credits, it did not ensure the accuracy of the other expenditures reported to ACF."*

OTDA shares OIG's goal of ensuring the accuracy of expenditures and improving upon agency monitoring. However, the report is unclear as to where the specific deficiencies are, and the specific steps recommended for improving oversight.

We also have concerns over the fact that OTDA was not given sufficient opportunity to provide the necessary feedback during the audit. It was not until the September 25, 2019 exit conference that OTDA was verbally informed of the auditors' intent to issue a finding that NYS lacked proper controls over the TANF/MOE reporting process. Had OTDA been informed earlier of the concern, information could have been shared that would have presented a more accurate picture of existing policies and procedures. Only after the finding was presented to OTDA, *nearly a full two years after the audit's inception* and presumed completion of case work, did OIG auditors make inquiries to OTDA requesting descriptions of TANF/ MOE reporting controls.

OTDA has robust internal controls in place (including but not limited to regular audits, reviews, and data matches) to confirm that TANF and Maintenance of Effort (MOE) expenditures meet both Federal and State requirements and are reported appropriately according to the TANF Grant requirements. OTDA's TANF and MOE expenditures cover a wide array of programs and services and each expenditure category has specific controls in place. It is evident from the Draft Report that the OIG auditors did not have a clear understanding of all OTDA supervised TANF and MOE programs and their complexities. While the OIG auditors reviewed the source documentation utilized by OTDA accountants to compile the ACF-196R: *Financial Reporting Form* for reporting TANF expenditure data to HHS, other than the small judgmental sample of TA cases, we are not aware that any other expenditures were reviewed in depth, and no specific areas of concern or instances of "inaccuracies" of the expenditures were identified. Accordingly, we believe the conclusions that were reached are overbroad and not reflective of the full breadth of existing oversight activities.

Specific to the TA program, which represents the largest portion of TANF expenditures, the report neglects to recognize many existing reviews performed by OTDA, including those that HHS has acknowledged as being adequate and appropriate. These reviews include the following:

- **Division of Employment and Income Support Programs (EISP), Temporary Assistance (TA) Bureau** conducts reviews of eight to ten Upstate Districts (which includes all rest of state districts) and five New York City (NYC) Human Resource Administration (HRA) Job Centers, annually, with each review consisting of at least 35 randomly selected cases. Large Districts (those with higher caseloads) are reviewed every three years, while smaller Districts are selected based on several factors, including caseload size and risks identified in previous reviews. NYC HRA Job Centers are selected on a rotating basis throughout the five NYC boroughs that comprise one District in NYC. As part of these reviews, the EISP Division examines copious amounts of supporting documentation submitted by applicants/recipients during the eligibility process (i.e., applications/recertifications, birth certificates, social security numbers, Systematic Alien Verification for Entitlement, landlord statements, family composition documents, paystubs, available resources, etc.) and verifies that the actions taken on the application/recertification properly complied with the TANF eligibility requirements.

In addition to reviewing client submitted documentation, these reviews also involve the examination of case comments, notices issued to clients and full case records in order to confirm the accuracy of TA eligibility determinations and resulting TANF payments. Corrective Action Plans (CAPs) are required to be submitted by Districts for any deficiencies identified during the review process and are monitored by OTDA for a six-month period following implementation. These CAPs require Districts to develop and implement a plan for ensuring staff is provided training in areas where deficiencies were noted. The TA Bureau's subsequent monitoring of these plans confirms that they are implemented and that the risk of future deficiencies is mitigated.

- **Division of EISP, Employment and Advancement Services (EAS) Bureau** typically conducts two Employment Policy Reviews of NYC HRA annually. All other large Districts with 3% or more of the State's All Families work participation rate denominator (the denominator equals the total number of adult headed cases receiving a TANF funded payment, including those cases funded by MOE expenditures, excluding those meeting a federal exemption) are reviewed every three years, while the remaining districts are examined cyclically at least every four years. The EAS bureau evaluates approximately 20 randomly selected cases (and up to 50 cases for NYC HRA) in multiple areas (including assessment and employment plan requirements, determination of exempt status and conciliation and sanction status) to verify that the Districts' policies and procedures for implementing work requirements are compliant with Federal and State rules.
- **Audit and Quality Improvement (A&QI)**
 - Conducts annual **Work Verification Reviews** to confirm that the Districts are processing cases in accordance with an approved plan and are correctly following Federal and State reporting requirements. As part of these reviews, A&QI examines a total of approximately 450 cases each year. NYC cases are reviewed quarterly, while the next largest 21 local Districts by denominator size are reviewed on a rotating basis every three years. These cases are reviewed for documentation of Paid work activities, Unpaid work activities, and documentation of federal exclusion from the denominator.
 - Performs TANF funded **EAF** program audits to confirm that the Districts are adhering to Federal and State requirements.

- Conducts monthly **Supplemental Nutrition Assistance Program (SNAP) Quality Control (QC) Reviews** using a statistical sample of households participating in SNAP (active cases; 1,020 cases sampled annually) and households for which participation was denied or terminated (negative cases; 680 cases sampled annually) to measure the validity of the SNAP case for a given period and meet stringent United States Department of Agriculture's (USDA) Food and Nutrition Services (FNS) regulations for SNAP QC, payment accuracy and payment error rate monitoring. These SNAP QC reviews are based on the guidelines provided to states in *FNS Handbook 301* and require source documentation or client contact to verify the facts gathered by the District to determine eligibility. While this review sample is based on receipt of SNAP benefits, it must be noted that a high percentage of TANF cases are categorically eligible for and contain a SNAP benefit component and are, therefore, included in the SNAP QC sample.
- **Division of Budget, Finance and Data Management, Financial Services Bureau** conducts monthly and yearly reviews of the claims and supporting documentation submitted by Districts in order to confirm that they are correctly following appropriate claiming policies and procedures (as set forth in the Fiscal Reference Manual) for the broad array of Districts' programmatic and administrative expenditures, including TA. Specifically, NYC HRA is evaluated once every month, whereas other Districts are either reviewed once a year or on a rotating basis of every four years, dictated by the size of the District.

OTDA also performs numerous data matches with various Federal, State and third-party entities to confirm applicants/recipients are eligible for TA, and that the Districts are complying with Federal and State requirements. Data matches may be performed at initial eligibility and on an ongoing basis to confirm client eligibility determinations were correct and that a client continues to be eligible for assistance beyond the initial determination.

III. Title of the report is misleading and does not recognize existing oversight activities and a statement in the report is inaccurate and misleading

The title of the Draft Report, "**New York Did Not Have Adequate Oversight of Its Reported Temporary Assistance for Needy Families Program Expenditures**" is misleading and unfairly mischaracterizes existing oversight and monitoring policies and practices. The Report also claims that "State agency officials stated that they did not review the supporting documentation." As OTDA disagrees with this statement, if such a statement was made, the intent was misunderstood, or it was not made in the context in which it is used in the Draft Report.

The stated objective of this audit was to determine if OTDA reported TANF and MOE expenditures to the Administration for Children and Families (ACF) in accordance with current Federal requirements. To accomplish their objectives, OIG auditors met only with the OTDA Finance team on a limited basis to obtain an understanding of OTDA's processes for compiling and producing the *ACF-196R: Financial Reporting Form* for reporting TANF expenditure data to HHS.

While OTDA's Finance staff handle financial reporting activities, they work closely in conjunction with OTDA'S TA Bureau which is the bureau tasked with oversight of Temporary Assistance program eligibility within OTDA and is staffed by TA Program Specialists who are OTDA's subject matter experts for activities related to these programs. It must be noted that at no time during the two-year span of the audit, which began in October 2017, had OIG auditors met, or

otherwise had any substantive discussions with TA Bureau staff specifically regarding OTDA's monitoring activities. Had OIG expanded its review to include the full scope of existing oversight activities, we believe the result would be a much different set of findings.

It is also important to note, that during FFY 2016, OTDA reimbursed Districts for more than 6.4 million payments, out of which the auditors selected a judgmental sample of 59 Basic Assistance payments, representing less than .001 percent of the total population. Furthermore, due to the inherent bias that is associated with a judgmental sample, the results cannot be applied to the entire population, as almost a third of the sampled payments were comprised of payment types (carfare and transportation payments) that do not represent the vast majority of payments issued under the TA program. As such, the sample selection is not representative of the OTDA's TA expenditures. Accordingly, related results and findings cannot be meaningfully applied to the entire Basic Assistance payment population.

Given the limited scope of the audit, the resulting lack of recognition of existing oversight mechanisms, and the reliance on a small judgmental sample, OTDA respectfully requests that the title be changed to more accurately reflect the full breadth of existing oversight.

IV. Recommendations

NYS OTDA, having considered the entire Draft Report, concludes that both recommendations contained therein, and discussed below, are, at present, the currently established practices of OTDA.

As to each recommendation:

- (1) Work with its local districts and TANF-funded State programs to develop financial management procedures that would enable it to determine if TANF and MOE expenditures are accurately reported to ACF, including the \$4.8 billion in TANF and MOE expenditures reported for FFY 2016.

OTDA agrees with this general recommendation and will continue to pursue ways to further strengthen oversight. As noted above, OTDA's TANF and MOE expenditures cover a wide array of programs and services and each expenditure category has specific controls and financial management procedures in place to confirm that Federal requirements are adhered to.

- (2) Improve its oversight of the TANF program by providing additional guidance and training to confirm that its local districts accurately report expenditures and maintain adequate documentation to support TANF and MOE expenditures reported.

OTDA agrees with this general recommendation and will continue to pursue ways to further strengthen oversight. As noted above, the TA Bureau supervises the administration of TANF funds by developing regulations, issuing policy directives, providing technical assistance, conducting TANF compliance reviews, and developing training resources to assist districts in administering the TA program. Annual TANF reviews of selected Districts are successful in mitigating risk factors by identifying areas where additional training, monitoring and/or oversight is needed. TANF reviews confirm that NYS is in compliance with TANF eligibility requirements including, among other things, the issuance of non-assistance payments, compliance with minor parent living arrangements and school requirements, child support requirements, citizenship requirements, and compliance with FA category requirements. In addition to the discussions with District staff during the TANF

review and CAP monitoring processes discussed above, TA Bureau staff also communicate with Districts on a regular basis to provide ongoing policy guidance, assess areas for improvement and identify potential training topics that will assist District staff in the performance of their duties related to the administration of the TANF grant. Training plans are reviewed and approved annually by the TA Bureau and OTDA's Training and Staff Development Bureau, and an advisory council meets twice per year to discuss effectiveness and training needs for District staff. The TA Bureau also issues timely policy and procedural updates to confirm that Districts have adequate knowledge and information to properly administer the TANF-funded program and provide District staff with up-to-date information related to Federal and State TANF rules and regulations.

If you have questions regarding this response, please do not hesitate to contact Annah Geiger, OTDA Director of Internal Audit, at (518) 473-6035.

Sincerely,

Michael P. Hein
Hein
Michael P. Hein
Commissioner

Digitally signed by
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cc: Jennifer Webb
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