



August 2, 2011

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Dear Mr. Kutz and Mr. Backley,

On behalf of the six states and the District of Columbia that have been selected by the GAO to participate in an upcoming audit of their state TANF and electronic benefit transfer systems, we have joined together to express our collective concerns with the GAO's methodology for this audit, to gain a better understanding of the methodologies that will be utilized, and to provide some guiding principles for the GAO to follow as they proceed with this audit. Some of these principles incorporate the lessons learned from states that were selected for the OIG's audit of TANF improper payments approximately two years ago. [See attachments]

With the GAO's work already under way, we would greatly appreciate the opportunity to schedule an appointment to speak with you regarding the issues raised in this letter as soon as possible.

First, we would like to understand how each state was selected for this audit. What methodology or criteria did the GAO utilize in selecting the seven states, and are these states a representative cross-section of all states?

Second, how is the GAO defining fraud, waste and abuse in the TANF Program? In the TANF Block Grant environment, states are required to maintain the Income and Eligibility Verification System (IEVS) in their oversight of the TANF Program, which is a key feature in many states' program integrity efforts. However, beyond IEVS, state program integrity efforts have been devolved to each individual state. Since states invest a significant amount of their own funds under the maintenance-of-effort requirements, in addition to the TANF Block Grant, they have a vested interest in the good stewardship of TANF funding and are committed to maintaining program integrity. Given this flexibility, a more constructive and meaningful approach would be to ask states what steps they have taken, individually or collectively, to improve program integrity. This may include collecting data on the amount of overpayments collected by processing IEVS matches and/or grant offset or through Treasury Tax Offset; the number of early fraud investigations conducted and actions taken as a result; administrative disqualifications that have occurred and/or prosecutions from fraud referrals; the use of financial incentives to increase the amount of TANF overpayment collections; and the use of sophisticated technology to help fraud investigators or eligibility workers prioritize and target their efforts at those individuals who are committing more egregious types of fraud.

States are also concerned that the GAO may utilize the TANF benefit calculation data that has been requested to run business intelligence or other matches to which states do not have access. States are more than open to a review of their effective use of the existing match process via the IEVS system, but believe that applying additional matches or business intelligence applications to identify fraud, which

are not available to states at the time of application, would be inappropriate if the results are used to cite deficiencies in states' program integrity efforts. However, use of such systems to assess whether new technology or matches would be helpful in future program integrity efforts would certainly be acceptable.

Third, the GAO should "uncouple" the audit of the TANF Program from the study of EBT usage. In many cases, states have limited data on where EBT cards are accessed or the types of transactions for which EBT cards are used. Furthermore, while we certainly are concerned that EBT cards meant to be utilized for meeting basic family needs are occasionally used for purposes that no one would view as proper, it is not illegal to purchase commercially available goods and services with TANF cash assistance, even if they are not consistent with the goals of the TANF program. TANF cash assistance payments have historically been provided to recipients to meet their basic needs for food, clothing and shelter without restrictions on how and where the cash is used. Also, if a family misuses the cash provided, states have rules in place to ensure that the funds are used to meet children's needs and to avoid their being placed at risk; e.g., money management and vendor payments. Thus, coupling the EBT card usage review with a TANF "fraud, waste and abuse" audit seems inappropriate. Additionally, it would be helpful to obtain clarification on the criteria the GAO intends to use in assessing EBT card use. States respectfully request that you ask your sponsors to uncouple these two engagements. Short of that, states may determine to treat the engagements separately of their own volition.

Fourth, we believe it would be extremely difficult for the GAO to assess the strengths or weaknesses of a state's program integrity efforts based solely on review of written regulations, policies and procedures. The complexity and ever-evolving nature of the TANF program is difficult for veteran eligibility program managers, even less for external auditors with little or no knowledge of the program. This is particularly important as the TANF Block Grant allows states the latitude to establish their own eligibility rules, and they are not uniform across states. Therefore, we strongly recommend that the GAO personally meet with each state's TANF program administrator to receive an overview of the state's major TANF program policies, administrative structure and framework for referring and investigating fraud *prior to* reviewing any TANF case files or conducting any on-site review. This would significantly enhance the GAO's program knowledge before beginning their review, with the potential for making more efficient field visits and more accurate findings.

Finally, we request that all participating states be given an opportunity to receive the preliminary GAO findings associated with this audit well in advance of any planned publication, allowing them to review and determine if state policies and rules were applied appropriately.

In summary, we believe that the guiding principles set forth in this letter will enhance the GAO's audit process, improve the quality of the audit findings and, more important, produce a more meaningful report for the Senate Committee, the Administration for Children and Families and states in developing policies and procedures to strengthen the integrity of the TANF program.

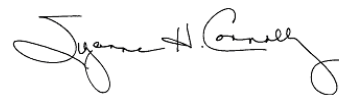
Sincerely,



Tracy L. Wareing  
Executive Director, APHSA



Paul Lefkowitz  
President, NASTA



Suzanne H. Connolly  
President, NAPIPM

Attachments: Improper Payment Letter to OMB 9-2007  
Letter to Werfel-OMB 12-3-07  
States' Concern Summary 12-3-07  
Alternate Methodology for TANF IPIA 12-3-07

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