

## DEPARTMENT OF SOCIAL SERVICES

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August 2, 1985

## ALL-COUNTY INFORMATION NOTICE I-62-85

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: AFDC FEDERAL QUALITY CONTROL FISCAL SANCTION

REFERENCE: ACIN I-37-85

This letter provides an update of the Aid to Families with Dependent Children (AFDC) Federal quality control fiscal sanction situation.

Federal Fiscal Year 1981

As you were previously informed, the Federal Department of Health and Human Services (DHHS) denied our request for waiver of the 1981 AFDC quality control fiscal sanction amount of \$35 million. Formal notification of disallowance was received from DHHS on June 13, 1985.

Federal regulations allow for appeal of the disallowance. The first step in the appeal process is an appeal to the Commissioner of Social Security. We submitted the state's appeal document to the Commissioner on July 22. The work of the CWDA Sanction Defense Task Force was very helpful in the development of the state's appeal arguments. I want to thank the Task Force and the other county people who assisted. A copy of the appeal document has been provided to the Task Force.

There are no time requirements for the Commissioner to respond to the appeal. Since this is a new area, we have no experience to base a time estimate on. If the Commissioner denies the appeal, the next step will be an appeal to the DHHS Grant Appeals Board. Normal program funding will continue pending completion of these two appeal steps.

Federal Fiscal Years 1982 and 1983

DHHS has released final state AFDC payment error rates for fiscal years 1982 and 1983. For California these error rates are 6.0 percent and 4.8 percent, respectively. While these two figures represent a substantial declining trend, both are above the 4.0 percent federal standard in effect for California for those two periods.

Under current federal regulations, release of these error rates by DHHS calls for notification to affected states of a potential fiscal sanction. This notification would begin the time clock for state submission of "good faith" waiver requests. DHHS does not plan to issue such notice at this time. Instead, they intend to revise their regulations dealing with "good faith" waiver requests. The most significant proposed revision is to limit the number of states that can request "good faith" waivers to those which are within 10 percent of their AFDC target error rates. If this proposal is implemented, California would not be eligible to submit a waiver request for either period. We would still have the option of immediately appealing to either the Commissioner of Social Security or the Grant Appeals Board. Proposed federal regulations are not expected until at least August; final regulations would not likely be issued before November or December.

I will keep you apprised of developments in these areas. In the meantime, if you have any questions please contact me or have your staff contact Mr. Charles Marvin, Chief, AFDC Corrective Action Bureau, at (916) 445-4458.



LINDA S. McMAHON  
Director

cc: CWDA