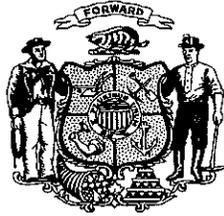


STATE OF WISCONSIN

SENATE CHAIR
Alberta Darling

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
John Nygren

309 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: April 29, 2016

Re: DCF Report to JFC

Attached is a quarterly report on the progress under State's corrective action plan relating to the federal income verification requirements from the Department of Children and Families, pursuant to November 12, 2014, Joint Committee on Finance s. 13.10 action.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



201 East Washington Avenue, Room G200
P.O. Box 8916
Madison, WI 53708-8916
Telephone: 608-266-8684
Fax: 608-261-6972

Governor Scott Walker
Secretary Eloise Anderson

Secretary's Office

April 29, 2016

RECEIVED
APR 29 2016

Honorable Alberta Darling, Senate Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53707-7882

BY: J. Finance

Honorable John Nygren, Assembly Co-Chair
Joint Committee on Finance
Room 309 East, State Capitol
Madison, WI 53707-7882

Dear Senator Darling and Representative Nygren:

On November 12, 2014, the Joint Committee on Finance provided \$4,730,000 in income augmentation revenue for programs under the Temporary Assistance for Needy Families (TANF) block grant in order to replace the loss of TANF block grant funds in the same amount due to an imposed penalty for failing to meet federal Income Eligibility and Verification System (IEVS) requirements. The Committee also required the Department of Children and Families (DCF) to evaluate and report quarterly on the department's progress under the state's corrective compliance plan relating to the federal income verification requirements with the first report due on or before April 31, 2015 and the last report due on or before April 31, 2016.

DCF sent the first quarter report to the committee on April 30, 2015, the second quarter report on July 31, 2015, the third quarter report on October 30, 2015, and the fourth quarter report on January 31, 2016. This letter provides DCF's first quarter 2016 report on the progress under the state's TANF Corrective Compliance Plan related to the federal IEVS TANF Penalty. The information below provides a status of the corrective actions. The TANF Corrective Compliance Plan dated April 8, 2014, submitted to U.S. Department of Health and Human Services (DHHS), is attached to this letter. The plan was updated and sent to DHHS on April 15, 2015. The updated plan and transmittal email are also attached.

DATA MATCH REQUIREMENT

Section 1137 of the Social Security Act requires the Wisconsin Works (W-2) program to participate in an income and eligibility verification system. This system compares data relating to applicants for, or recipients of, W-2 benefits with wage information from the state unemployment compensation program and wage, income, and other information from the Social Security Administration and the Internal Revenue Service for the purpose of verifying eligibility for, and the amount of, benefits available under the W-2 program. The information obtained through data matches cannot be used to terminate, deny, suspend, or reduce any benefits of an individual until the agency "has taken appropriate steps to independently verify information relating to (A) the amount of the asset or income involved, (B) whether such individual actually has (or had) access to such asset or income for his own use, and (C) the

period or periods when the individual actually had such asset or income.” §1137(a)(5) [emphasis added]. If the income or asset is independently verified from a third party source, the W-2 program can use the verified information to make decisions regarding the individual’s current or past eligibility and can collect any overpayments that may have been made in the individual’s case. The department or the W-2 agency must assess each case to resolve discrepancies between information reported to the W-2 program and verified information identified through the data matches, and to determine whether there has been an overpayment.

DATA MATCH CORRECTIVE ACTIONS

The department’s corrective action plan requires it to carry out matches with IRS data for tax years 2012-2014. DCF and the Department of Health Services (DHS) have completed the IRS data matches for tax years 2012 and 2013. The data match process and outcomes of the process for 2012 were described in the July 31, 2015 report. The data match process and outcomes of the process for 2013 were described in the October 30, 2015 report.

IRS Tax Year 2014

DCF will complete the IRS data match for tax year 2014 without DHS assistance by the end of December 2016 if there are no delays in obtaining certification from the IRS for DCF to perform this data match independently.

SAFEGUARDING CORRECTIVE ACTION

The first step in the process to become certified to perform the IRS data match is for DCF to obtain approval from the IRS Office of Safeguards to do so by completing the Safeguard Security Report (SSR) and complying with the IRS safeguarding requirements described in IRS Publication 1075. DCF completed, submitted, and received approval of the SSR on October 20, 2015.

DCF has submitted the Disclosure of Information to Federal, State, and Local Agencies IRS Computer Matching Agreement (CMA). The IRS approved the CMA effective May 9, 2016.

Additional steps for obtaining certification from the IRS to perform the data match are described in the attached *TANF IEVS Penalty Corrective Compliance Plan – Adjusted Steps and Timeline*.

STATE WAGE INFORMATION COLLECTION AGENCY (SWICA) AND UNEMPLOYMENT COMPENSATION (UC) CORRECTIVE ACTIONS:

Timely completion of SWICA and UC discrepancies by W-2 agencies is required as part of W-2 eligibility case processing in the W-2 and Related Programs Contract. In an effort to make an immediate impact on the timeliness of processing discrepancies, in March 2015 DHS and DCF completed system changes to enhance the CARES Worker Web (CWW) Workload Dashboard to assist case workers to identify and resolve the SWICA and UC discrepancies. DCF reported in its October 30, 2015 report that all W-2 agencies were completing their SWICA and UC discrepancies within the required timeframe with one exception. DCF reported in the January 31, 2016 report that if the noncompliant agency’s performance did not improve within the first quarter of 2016, DCF would impose a corrective compliance plan on the agency. That agency is

Senator Alberta Darling
Representative John Nygren
April 29, 2016
Page 3

now in compliance with the requirement to complete SWICA and UC discrepancies within the required time limits. DCF will continue monitoring of all W-2 agencies to assure they remain in compliance.

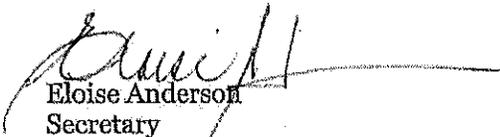
In addition to the system changes, when DCF entered into the TANF Corrective Compliance Plan in April 2014, it proposed assuming responsibility for accuracy in processing SWICA and UC discrepancies at the state level. The 2015-2017 biennial budget provided four additional full time positions for this effort. DCF has hired two IEVS positions in Milwaukee, and is in the process of finalizing the position descriptions and working with the Bureau of Human Resources to recruit the remaining two positions.

SUMMARY AND EVALUATION OF IEVS COMPLIANCE EFFORTS

When it completes the IRS data match for the 2014 tax year at the end of calendar 2016, the department will be in compliance with the IRS data match IEVS requirement. DCF will then be able to remain current in performing data matches for future tax years. DCF has submitted all documentation and taken all actions required for IRS certification to carry out the 2014 and future IRS data matches. It is awaiting final approval from the IRS on its request for certification and will take any additional actions that may be required to complete the certification process. DCF expects to complete hiring the four dedicated staff positions assigned to assure IEVS compliance during the second quarter of 2016 and have procedures and staff in place to assure continued compliance with all IEVS requirements. As soon as these final actions are completed, DCF will request that ACF determine it to be in compliance and release it from the corrective compliance plan.

I appreciate the opportunity to provide an update on the state's Corrective Compliance Plan related to the federal IEVS TANF Penalty.

Sincerely,


Eloise Anderson
Secretary

cc: Scott Neitzel, Department of Administration
Bob Lang, Legislative Fiscal Bureau

Attachments: E-mail to DHHS Regional Office (WI TANF IEVS Penalty Corrective Compliance Plan Steps and Timeline)
Attachment – Adjusted Timeline TANF IEVS Corrective Compliance Plan
IEVS Penalty Corrective Compliance Plan 2014 (Original)

STATE OF WISCONSIN

DEPARTMENT OF CHILDREN AND FAMILIES

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES
CORRECTIVE COMPLIANCE PLAN**

FOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES

**INTEGRATED EARNINGS VERIFICATION
TANF PENALTY**

**Single Audit Report CIN A-05-10-94652
Report Period July 1, 2007 – June 30, 2008
Finding WI-08-10**

Plan Date – April 8, 2014

Primary Compliance Plan Contact

Randall Keys, Chief Legal Counsel
Department of Children and Families
201 E. Washington Avenue, Room G200
P.O. Box 8916, Madison, WI 53708
Telephone: (608) 266-8614



WISCONSIN DEPARTMENT OF
CHILDREN AND FAMILIES

State of Wisconsin
Department of Children and Families

TANF CORRECTIVE COMPLIANCE PLAN

1. Analysis of Non-Compliance with the Income Eligibility and Verification System

The U.S. Department of Health and Human Services, Administration for Children and Families (ACF) notified the Secretary of Wisconsin's Department of Children and Families (DCF) that it was imposing a penalty of \$4,763,580 for not participating in the Income Eligibility and Verification Systems (IEVS) as indicated in the Single Audit Report for the period July 1, 2007, to June 30, 2008. DCF did not (1) perform the Internal Revenue Service (IRS) data match and (2) did not complete timely or document appropriately the state wage information collection agency (SWICA) and unemployment compensation (UC) data matches.

The Temporary Assistance for Needy Families (TANF) work program in Wisconsin is called Wisconsin Works (W-2). Completing the required IEVS IRS data match for the W-2 program has been a challenge for Wisconsin for several reasons including:

- a. Wisconsin currently contracts with private agencies to administer the W-2 program, including the verification of all income data used for program eligibility. For the period July 1, 2007, through June 30, 2008, DCF contracted with 51 public and/or private agencies and consortiums. IRS regulations deny private W-2 agency staff access to Federal Tax Information (FTI) data.
- b. In 2002, the IRS terminated both the IRS Computer Matching Agreement (CMA) and FTI data matching for the Department of Workforce Development (DWD), the state agency that administered W-2 at the time. Administration of the W-2 program was transferred to the newly created DCF in July 2008.

Wisconsin had a similar finding in the July 1, 2003, through June 30, 2004 Single Audit Report. To address these challenges and correct the violation, DWD developed a corrective compliance plan jointly with the Department of Health and Family Services (DHFS), now the Department of Health Services (DHS) in May 2006. The plan, which was approved by ACF in July 2006, indicated DHFS would perform the data match with the IRS and carry out the third party verification under the IRS safe guarding requirements, and DWD would identify and process overpayments. DHFS performed the IRS data matches for tax years 2004 and 2005 in September 2006. DHFS completed the third party verification in November 2007. In August 2009, DCF completed the review of unearned income for tax years 2004 and 2005 and identified 16 cases with a potential overpayment. This was the last year that all steps in

the IRS match process were completed. Resource and capacity issues prevented the state from consistently completing the IRS IEVS data match requirements.

W-2 agencies have been responsible for following up on the SWICA and UC data matches. DCF has implemented a number of system changes to reduce the number of discrepancies that require manual review and resolution by the caseworkers. In addition to system changes, DCF has issued guidance to W-2 agencies about the requirement for timely completion of data matches, provided training on how to process data matches, created management reports to identify and track completion of data matches including overdue data matches, improved computer system logic to create data matches that are most likely to have an impact on eligibility, and conducted ongoing monitoring of data matches. In January 2013, DCF implemented a new service delivery system administered by 8 contracted W-2 agencies instead of the 51 agencies in 2008. One goal was to improve quality control through greater scale of operations and capacity. DCF now plans to complete SWICA and UC data matches internally to ensure that they are done timely and with appropriate documentation.

The success of this plan is dependent on two critical elements. First, the ability of DHS to perform the first two steps in the IRS data match process until DCF is certified to carry out those functions and second, IRS certification of DCF staff to perform the IRS data match functions.

2. Corrective Compliance Plan Description and Milestones

The Corrective Compliance Plan and Timeframes section describes the steps DCF will implement and the timeline DCF will follow to come into compliance with IEVS requirements. DCF intends to hire additional staff that will follow up on SWICA and UC data match exceptions. In the short term DCF will work with DHS to complete the required data matches for unearned income reported by the IRS. DCF will coordinate with DHS to complete the data match and third party verification process for the IRS IEVS data match requirements until DCF receives IRS authorization and can assume those responsibilities.

The following milestones will be achieved by DCF:

- a. Complete the required data matches for unearned income reported by the IRS for tax year 2012 by December 31, 2014
- b. Complete the required data matches for unearned income reported by the IRS for tax year 2013 by December 31, 2015
- c. Become current in processing SWICA and UC data matches by December 31, 2015
- d. Complete IRS requirements to assume responsibility for the required data matches for unearned income reported by the IRS for tax year 2014 by May 2015
- e. Complete the required data matches for unearned income reported by the IRS for tax year 2014 by April 30, 2016

3. Corrective Compliance Plan and Timeframes

a. IRS Corrective Actions and Timelines

Data Match Corrective Actions	Timelines	Completed
Update the Memorandum of Understanding with DHS to assist with the data match and third party verification until DCF can become certified and assume responsibility for all of the processes for the IRS data match	April – May 2014	<input type="checkbox"/>
Request, process, and complete the following IRS Tax Year data matches:		
IRS Tax Year 2012 Request data from IRS (DHS) Apply WI TANF thresholds (DHS) Complete third party reviews (DHS)	April - Sept. 2014	<input type="checkbox"/>
Complete case reviews (DCF) Process overpayments, if appropriate (DCF)	September – December 2014	<input type="checkbox"/>
IRS Tax Year 2013 Request data from IRS (DHS) Apply WI TANF thresholds (DHS) Complete third party reviews (DHS)	July 2014 – September 2015	<input type="checkbox"/>
Complete case reviews (DCF) Process overpayments, if appropriate (DCF)	September – December 2015	<input type="checkbox"/>
IRS Tax Year 2014 (DCF) Request data from IRS Apply WI TANF thresholds Complete third party reviews Complete case reviews Process overpayments, if appropriate	July 2015 – April 2016	<input type="checkbox"/>
Develop Capacity Within DCF to Complete IEVS IRS Requirements		
Safeguarding Corrective Actions	Timelines	Completed
Comply with IRS Safeguarding Requirements in IRS Publication 1075 (<i>Tax Information Security Guidelines for Federal, State and Local Agencies; Safeguards for Protecting Federal Tax Returns and Return Information</i>)	April – November 2014	<input type="checkbox"/>
Establish a Secure Data Transfer (SDT) program	November 2014	<input type="checkbox"/>
Become SDT certified	November 2014 - February 2015	<input type="checkbox"/>
Contact IRS and establish DCF as lead to complete IRS data matches for TANF	February 2015 – May 2015	<input type="checkbox"/>
Create and submit the Disclosure of Information to Federal, State and Local Agencies IRS CMA to IRS	March 2015 – May 2015	<input type="checkbox"/>
Complete and submit to the IRS the Safeguard Security Report and Corrective Action Plan	March 2015 – May 2015	<input type="checkbox"/>

b. SWICA and UC Corrective Actions and Timelines

Corrective Actions	Timeline	Completed
Determine Full Time Equivalent (FTE) positions needed to process SWICA and UC discrepancies each month	April 2014	<input type="checkbox"/>
Obtain position authority and additional funding to hire sufficient FTEs to complete SWICA and UC discrepancies (positions will also complete IRS data match once DCF is authorized to carry out the matches)	May - August 2014	<input type="checkbox"/>
Recruit and hire IEVS FTEs	August – October 2014	<input type="checkbox"/>
Develop, revise and update DCF policies, procedures and systems to support DCF completion of SWICA and UC discrepancies	May – November 2014	<input type="checkbox"/>
Notify stakeholders of changes to SWICA and UC IEVS processes	November 2014	<input type="checkbox"/>
Begin SWICA and UC internal processing for State Fiscal Year (SFY) 2015	November 2014	<input type="checkbox"/>
All SWICA and UC discrepancies for SFY 2015 completed timely	December 2015	<input type="checkbox"/>

4. Governor's Certification of Support

I, Eloise Anderson, acting on behalf of Scott Walker, Governor of the State of Wisconsin, do hereby certify that necessary financial and personnel resources and any other needed support actions will be provided to ensure that this TANF penalty corrective compliance plan will be successfully implemented by Wisconsin in the time frame provided by this plan.

Date: 4/7/2014

Signature: Eloise Anderson

Eloise Anderson, Secretary
 State of Wisconsin
 Department of Children and Families

Swissdorf, Kim M - DCF

From: McMahon, Margaret - DCF
Sent: Wednesday, April 15, 2015 10:56 AM
To: Schindler, Thomas (ACF) (Thomas.Schindler@acf.hhs.gov)
Cc: Randal, Kris - DCF; Brueggeman, Rebecca - DCF; Peters, Janice - DCF
Subject: Update: WI TANF IEVS Penalty Corrective Compliance Plan Steps and Timeline
Attachments: Attachment - Adjusted Timeline TANF IEVS Penalty Corrective Compliance Plan.pdf

Tom, per our phone discussion on Tuesday, April 7, 2015, I am informing you that the Department of Children and Families (DCF) has had to adjust the steps and timeline under the state's Temporary Assistance for Needy Families (TANF) Corrective Compliance Plan dated April 8, 2014, related to the federal Integrated Earnings Verification (IEVS) TANF Penalty, as shown in the attached document. The adjustments are necessary to ensure that DCF complies fully with IEVS requirements. While we will meet one of our milestones sooner than anticipated, we have had to extend the timelines on other milestones due to various reasons, including:

- Preparing detailed instructions to the Wisconsin Works Contractors on how to process data match related overpayments.
- Underestimating the complexity of the process for the IRS to certify DCF to perform data matching.
- The denial of the request for position authority and additional funding to hire three full time employees to process the State Wage Information Collection Agency (SWICA) and Unemployment Compensation (UC) discrepancies.

Per our conversation, please let me know if a more formal process for amending the steps and timeline is required.

Sincerely,

Margaret McMahon

Director

Bureau of Working Families

Division of Family and Economic Security

Department of Children and Families

201 East Washington Avenue

Madison, WI 53703

T: 608.535-3625

C: 608.622-9548

E: margaret.mcmahon@wisconsin.gov

WISCONSIN DEPARTMENT OF CHILDREN AND FAMILIES
TANF IEVS Penalty Corrective Compliance Plan (dated April 8, 2014)
Adjusted Steps and Timeline

The following milestones will be achieved by Department of Children and Families (DCF):

- a. Complete the required data matches for unearned income reported by the Internal Revenue Service (IRS) for tax year 2012 by ~~December 31, 2014~~ April 30, 2015.
- b. Complete the required data matches for unearned income reported by the IRS for tax year 2013 by ~~December 31, 2015~~ August 11, 2015.
- c. Become current in processing SWICA and UC data matches by ~~December 31, 2015~~ December 31, 2016.
- d. Complete IRS requirements to assume responsibility for the required data matches for unearned income reported by the IRS for tax year 2014 by ~~May 2015~~ April 2016.
- e. Complete the required data matches for unearned income reported by the IRS for tax year 2014 by ~~April 30, 2016~~ December 31, 2016.

1. Corrective Compliance Plan and Timeframes

a. IRS Corrective Actions and Timelines

Data Match Corrective Actions	Timelines	Completed
Update the Memorandum of Understanding with DHS to assist with the data match and third party verification until DCF can become certified and assume responsibility for all of the processes for the IRS data match	April – May 2014	n/a ¹
Request, process, and complete the following IRS Tax Year data matches:		
IRS Tax Year 2012 Request data from IRS (DHS) Apply WI TANF thresholds (DHS) Complete third party reviews (DHS)	April - Sept. 2014	<input checked="" type="checkbox"/>
Complete case reviews (DCF) Process overpayments, if appropriate (DCF)	September – December 2014 Oct 2014 – April 2015	<input type="checkbox"/>
IRS Tax Year 2013 Request data from IRS (DHS) Apply WI TANF thresholds (DHS) Complete third party reviews (DHS)	July 2014 – September 2015 April – June 2015	<input type="checkbox"/>
Complete case reviews (DCF) Process overpayments, if appropriate (DCF)	September – December 2015 June – August 2015	<input type="checkbox"/>
IRS Tax Year 2014 (DCF) Request data from IRS Apply WI TANF thresholds Complete third party reviews Complete case reviews Process overpayments, if appropriate	July 2015 – April 2016 May – December 2016	<input type="checkbox"/>

¹ DCF anticipated the need for an MOU with the Department of Health Services (DHS) when the TANF Corrective Action Plan was drafted. The MOU has not been finalized, however, the work has not been hindered due to the absence of a signed MOU. DHS has completed their portion of the IRS data match and third party verification for tax year 2012 and they are scheduled to complete the same for tax year 2013 by June 5, 2015.

Develop Capacity Within DCF to Complete IEVS IRS Requirements		
Safeguarding Corrective Actions	Timelines	Completed
Comply with IRS Safeguarding Requirements in IRS Publication 1075 (<i>Tax Information Security Guidelines for Federal, State and Local Agencies; Safeguards for Protecting Federal Tax Returns and Return information</i>)	April – November 2014 May – August 2015	<input type="checkbox"/>
Establish a Secure Data Transfer (SDT) program	November 2014 January - April 2016	<input type="checkbox"/>
Become SDT certified	November 2014 – February 2015 January – April 2016	<input type="checkbox"/>
Contact IRS and establish DCF as lead to complete IRS data matches for TANF	February 2015 – May 2015 September 2015 – January 2016	<input type="checkbox"/>
Create and submit the Disclosure of Information to Federal, State and Local Agencies IRS CMA to IRS	March 2015 – May 2015 September 2015 – January 2016	<input type="checkbox"/>
Complete and submit to the IRS the Safeguard Security Report and Corrective Action Plan	March 2015 – May 2015 March – June 2015	<input type="checkbox"/>

b. SWICA and UC Corrective Actions and Timelines

Corrective Actions	Timelines	Completed
Determine Full Time Equivalent (FTE) positions needed to process SWICA and UC discrepancies each month	April 2014	<input checked="" type="checkbox"/>
Obtain position authority and additional funding to hire sufficient FTEs to complete SWICA and UC discrepancies (positions will also complete IRS data match once DCF is authorized to carry out the matches)	May – August 2014	n/a ²
Recruit and hire IEVS FTEs	August – October 2014	n/a
Develop, revise and update DCF policies, procedures and systems to support DCF completion of SWICA and UC discrepancies	May – November 2014	n/a
Notify stakeholders of changes to SWICA and UC IEVS processes	November 2014	n/a
Begin SWICA and UC internal processing for State Fiscal Year (SFY) 2015	November 2014	n/a
All SWICA and UC discrepancies for SFY 2015 completed timely	December 2016	<input type="checkbox"/>

² When DCF entered into the TANF Corrective Compliance Plan in April 2014, the solution to the W-2 agencies not processing SWICA and UC discrepancies appropriately was to complete the processing internally. DCF requested position authority and additional funding to hire three fulltime employees to process the SWICA and UC discrepancies. The request was denied. DCF is now reviewing other options that will lead to compliance with SWICA and UC discrepancy processing by December 2016.