Commonwealth of Pennsylvania
Department of Public Welfare's
Cash and Food Stamp Programs

Allegheny County Assistance Office
Alle-Kiski District

Audit Report for the Period
January 14, 2006 to March 27, 2009

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JACK WAGNER

AUDITOR GENERAL

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JACK WAGNER

AUDITOR GENERAL

Report of Independent Auditors

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

We have conducted an audit of the Allegheny County Assistance Office (CAO), Alle-Kiski District, pursuant to Section 109.1 of Title 55 of the Pennsylvania Code and Sections 402 and 403 of the Fiscal Code. The audit period was January 14, 2006 through March 27, 2009. The objective of our audit was to determine whether the CAO made proper eligibility determinations for recipients of cash and food stamps based on Department of Public Welfare (DPW) policies and procedures.

Our audit resulted in the following findings.

Finding No. 1 - CAO Management Failed To Ensure That General Assistance Eligibility Requirements Were Met

Finding No. 2 - CAO Management Failed To Ensure That TANF And Food Stamp Eligibility Requirements Were Met

During the exit conference, we reviewed these findings and recommendations with the Allegheny CAO, Alle-Kiski District, management. We have included the CAO and DPW management comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

September 21, 2011

JACK WAGNER

AUDITOR GENERAL

Commonwealth of Pennsylvania
Department of Public Welfare
Allegheny County Assistance Office
Alle-Kiski District

BACKGROUND INFORMATION

Background Information

The Department of Public Welfare (DPW) is responsible for the administration of public assistance benefits to needy recipients in Pennsylvania. Benefits include cash assistance and food stamps.

Cash Assistance

Cash assistance is grant money. There are three categories of cash assistance:

1. Temporary Assistance to Needy Families (TANF), a federally-funded program that provides money to families with dependent children in need of financial support that is not available from one or both parents;

2. General Assistance (GA), a state-funded program that provides money primarily to disabled individuals who do not have enough income to meet their basic needs and who do not qualify for TANF; and

3. State Blind Pension (SBP), a state-funded program that provides money to individuals with visual limitations.

In order to qualify for TANF, applicants must fall within established income and resource limits and meet age limitation and family relationship requirements. Adults receiving assistance through TANF are required to work or participate in a work-related training program for 20 hours a week if they have been receiving benefits for less than 5 years, or for 30 hours a week if they have been receiving benefits for more than 5 years. Recipients are enrolled in these activities either directly through the CAO or through a contractor hired by DPW. If a recipient is not able to work, good cause must be established.

In order to qualify for GA, a recipient must have either a permanent disability or a temporary disability which would allow him/her to obtain benefits for less than 12 months. A recipient who DPW determines to be permanently disabled is eligible for Interim GA benefits, but, as a condition of eligibility, is required to apply for Social Security Administration (SSA) benefits and to sign a reimbursement agreement. If a recipient's claim for SSA benefits is successful, the recipient will be removed from Interim GA when he or she begins to receive SSA benefits. If the recipient's SSA benefits are retroactive and the recipient receives SSA benefits for an identical time period for which he/she received Interim GA, the reimbursement agreement will enable DPW to be reimbursed any cash assistance paid to the recipient for that time period. This

prevents the recipient from receiving overlapping Interim GA and SSA benefits. Without the reimbursement agreement, the recipient would not be required to repay Interim GA and, as a result, the Commonwealth would lose its ability to recover the funds. If a recipient is denied eligibility for SSA, the recipient is required to appeal the decision within 60 days of the denial.

In order to qualify for SBP, applicants must fall within established income and resource limits, must also be at least 21 years of age and have limited visual acuity.

Recipients who receive cash assistance and/or food stamps can also receive Special Allowances (SPALs), which are supplemental payments to cover the cost of clothing, transportation, tools or other items necessary to participate in training or work activities.

Food Stamps

Food stamp benefits are provided under the federal Supplemental Nutrition Assistance Program (SNAP), which is designed to provide assistance to low-income households in order to raise their level of nutrition. It is operated jointly by the U.S. Department of Agriculture and DPW. Eligibility is based on levels of income and, in some counties, on whether a recipient is engaged in an employment and training program.

Eligibility Requirements for Cash and Food Stamps

Eligibility determinations are based on federal and state regulations specifying which individuals qualify for a program and the amounts for which they qualify. The Code of Federal Regulations (CFR) contains the applicable federal regulations. The Pennsylvania Code contains the applicable state regulations. The policies and procedures in place to ensure compliance with the regulations are contained in DPW's Cash Assistance Handbook, Supplemental Nutrition Assistance Program Handbook, Income Eligibility Verification System (IEVS) Handbook, and Supplemental Handbook.

Relevant information about recipients is recorded and maintained in DPW's Client Information System (CIS). This information is used to determine eligibility status and category of aid. The CAO updates information on CIS when new information becomes available.

Background Information

CAO personnel utilize DPW's Income Eligibility Verification System to compare income and resource information with income and resource information obtained from outside sources. IEVS is updated on a regular basis with information from several sources including wage information from the Department of Labor and Industry, benefit information from the Social Security Administration, and tax and unearned income information from the Internal Revenue Service. CAO caseworkers are required to review this information at the time of application, when the recipient submits his/her semi-annual reporting (SAR) form and at the annual renewal. Caseworkers receive alerts when they are required to review certain information between the application date, the SAR, and at the time of the annual renewal.

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Department of Public Welfare
Allegheny County Assistance Office
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OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives, Scope, And Methodology

To achieve our audit objectives regarding eligibility, we obtained a monthly data file from the Department of Public Welfare of all recipients who received cash benefits as of January 2009. We selected a random sample of 104 cases from the 353 cases related to the Allegheny CAO, Alle-Kiski District, represented in the data file. Our audit period was January 14, 2006 to March 27, 2009; however, in cases where we determined an ineligible individual was receiving cash and/or food stamp benefits, we expanded that test work through the last date of his or her ineligibility.

For each case selected in our sample, we tested income, disability, work activity, and non-financial eligibility requirements to determine compliance with DPW regulations and administrative policies.

The criteria we used to test cases in our sample include the Code of Federal Regulations and the Pennsylvania Code, Title 55.

It is DPW's position that current law does not allow DPW to provide all federal and state wage and unearned income information to the Department of the Auditor General. Therefore, DPW did not provide all federal and state wage and unearned income information to us. This scope limitation prevents us from confirming that all available resources were included in calculating recipients' eligibility for benefits.

Commonwealth of Pennsylvania
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FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

The random sample contained 104 of 353 cases from the Allegheny CAO, Alle-Kiski District, January 2009 data file. The 104 cases we tested consisted of 40 TANF cases and 64 GA cases. The following findings discuss areas where deficiencies occurred. It should be noted that deficiencies related to wage and income requirements could exist in the cases that we tested and still remain undetected because we do not have access to all wage and unearned income information as noted in our scope limitation described on page 8 of this report.

Finding No. 1 - <u>CAO Management Failed To Ensure That General Assistance Eligibility Requirements Were Met</u>

During our audit, we found that CAO management failed to ensure that General Assistance (GA) eligibility requirements were met in 14 of the 64 cases we tested. As a result, cash benefits totaling $29,112 were paid to recipients while they were ineligible, as shown in Table 1 on page 11 of this report. In these cases, recipients did not provide proof of disability, apply for Social Security benefits, or appeal unfavorable decisions from SSA. In addition, recipients who applied for Supplemental Security Income did not follow the required reimbursement procedures. These amounts represent taxpayer dollars paid during periods where recipients no longer met eligibility requirements.

The Cash Assistance Handbook and Supplemental Handbook provide eligibility requirements to assist the CAO in making eligibility determinations. The CAO management is responsible to ensure that applicants provide proof of disability and comply with SSA requirements.

These improper eligibility determinations occurred because:

- CAO management did not monitor to ensure that recipients applied for Social Security benefits, or appealed unfavorable SSA decisions, or that those who applied for Supplemental Security Income followed the required reimbursement procedures.

- CAO management did not monitor to ensure that proof of disability was obtained and verified.

Table 1 - Summary of GA Deficiencies

	Audit Sample Number	Cash
1.	AG - 8	$205.00
2.	AG - 9	2,152.50
3.	AG - 10	3,877.10
4.	AG - 15	4,525.80
5.	AG - 24	6,765.00
6.	AG - 39	1,435.00
7.	AG - 42	512.50
8.	AG - 43	2,972.50
9.	AG - 47	205.00
10.	AG - 57	2,440.00
11.	AG - 93	1,332.50
12.	AG - 100	894.10
13.	AG - 30	872.70
14.	AG - 69	922.50
	Totals	**$29,112.20**

We recommend that:

- CAO management ensure that recipients apply for Social Security benefits, appeal unfavorable SSA decisions, and follow the required reimbursement procedures when applying for Supplemental Security Income.

- CAO management ensure that proof of disability is obtained and verified.

- DPW follow up with the Office of Inspector General (OIG) to determine if payments made on behalf of ineligible recipients can be recouped.

DPW's Management Response[1]

- When a recipient is determined to be disabled, a referral is made to DPW's Disability Advocacy Program (DAP) and SSA. DAP helps the recipient to navigate the SSA application and appeal process. CAO management assures that the DAP process is followed, which ensures that recipients appeal unfavorable SSA decisions.

- DPW utilizes a Medical Assessment Form which enables the CAO IMCW to determine whether or not a recipient is disabled. The Cash Assistance Handbook, Chapter 105.431 Documentation of Disability states that the form must be completed and signed by one of the following medical providers: a physician, physician's assistant, certified registered nurse practitioner or psychologist. It is permissible to accept documentation of a physical or mental disability from other sources including, but not limited to, the SSA, the Department of Veterans Affairs (DVA), or from DPW's Medical Review Team (MRT).

- DPW refers potential overpayments to the OIG through the Automated Restitution Referral and Computation (ARRC) System. The CAO enters the information pertaining to an overpayment in the ARRC, which then goes to the OIG. The OIG determines if a recoupment should be taken, contacts the client, makes payment arrangements, and enters the repayment into the ARRC system if necessary. The OIG is responsible for concluding the overpayment process.

- The overpayment recovery process is set forth in the 55 Pa. Code §255.

- Supervisors are required to review three records per worker every month to ensure that all factors of eligibility are addressed. Management will ensure that reviews occur and areas of concern are addressed.

[1] In addition to the overall management response, DPW provided a separate chart addressing individual cases in the audit finding. Some of this information is either beyond the scope of our audit, or pertained to periods outside of the audit period.

- The procedures for providing assistance to recipients when applying for and obtaining SSA benefits as described in DPW's response to this finding will be reviewed with IMCWs to assure that DPW policy is followed.

- Supervisors hold monthly meetings to review findings from previous audits and to review policy with IMCWs to ensure that the audit findings are addressed. Supervisors also hold individual monthly conferences to review each worker's CSR results and to offer additional individual training to ensure that compliance with policy is maintained.

- Desk guides have been prepared and distributed, and include:
  -Reporting requirements (SAR) for all budgets;
  -Criminal history desk guide;
  -IEVS desk guide; and
  -ETP codes desk guide.

Auditors' Conclusion

We acknowledge DPW's efforts to review current procedures with the CAOs to ensure that the recipient is disabled and that DPW policy is followed. It is clear, however, that the current procedures have not been effective in monitoring the SSA application and appeals process. Without better monitoring procedures in place, these deficiencies will continue to occur. DPW should ensure that CAO personnel are adequately trained to understand the eligibility requirements and that procedures are being performed on a consistent basis. Therefore, we continue to recommend that DPW ensure that personnel are adequately trained to aid recipients in applying for Social Security benefits and appealing unfavorable SSA decisions, and to follow the required reimbursement procedures when applying for Supplemental Security Income.

With regard to the Medical Assessment Form or other acceptable disability verification forms, the deficiencies cited in this finding were not a result of an inadequate policy, but were a result of the CAO not following the procedures provided by DPW in the Cash Assistance Handbook, Chapter 105.431. In several instances, the documents required by the policy that DPW cites in its response were not included in the case record. Therefore, no evidence of disability existed in the case record. This indicates that DPW's

monitoring of compliance with existing DPW policy needs to be improved – not the policy itself.

We also acknowledge DPW's comments regarding referral of potential overpayments to the OIG made on behalf of ineligible recipients through the ARRC System. However, DPW has not provided us with evidence that it has followed up with OIG for the ineligible recipients identified in this report. Therefore, we continue to recommend that DPW follow up with the OIG.

We determined that $29,112 was paid to recipients while they were ineligible. DPW classifies $25,778 as overpayments subject to potential reimbursement. As a result, the information that the CAO enters into its overpayment system and forwards to the OIG is not a complete picture of the amount of taxpayer dollars spent for benefits paid to ineligible recipients. We believe that every dollar that was paid while a recipient is ineligible should be subject to reimbursement.

We will examine the implementation of these additional procedures during our next audit to determine whether or not the action taken adequately addresses the deficiencies noted in this report. In addition, we will examine the status of these cases to determine whether or not action was taken by either DPW or OIG to recoup these payments.

Finding No. 2 - <u>CAO Management Failed To Ensure That TANF And Food Stamp Eligibility Requirements Were Met</u>

During our audit, we found that CAO management failed to ensure that TANF and food stamp eligibility requirements were met in 7 of the 40 cases we tested. As a result, benefits totaling $5,633 were paid to recipients while they were ineligible. This includes $920 in cash and $4,713 in food stamps, as shown in Table 2 on page 15 of this report. In these cases, recipients were not enrolled in a training or work activity or did not meet the work hour requirements. These amounts represent taxpayer dollars paid during periods where recipients no longer met eligibility requirements.

The Cash Assistance Handbook and Supplemental Nutrition Assistance Program Handbook provide eligibility requirements to assist the CAO in making eligibility determinations. The CAO management is responsible for ensuring that TANF recipients meet the work requirements by placing the recipients in a training or work activity and monitoring the recipients' participation. In addition, when DPW hires a contractor to

place recipients in work activities, CAO management must monitor the contractor and verify that recipients are meeting training and/or work requirements.

These improper eligibility determinations occurred because:

- CAO management did not monitor to ensure that recipients were enrolled in training or work activities or were meeting the work hour requirements.

- CAO management did not have proper controls in place to monitor outside contractors and verify that recipients met training or work activity requirements.

Table 2 - Summary of TANF Deficiencies

	Audit Sample Number	Cash	Food Stamps
1.	AG - 7		$2,153.00
2.	AG - 75	$262.50	
3.	AG - 35	435.00	
4.	AG - 46		344.00
5.	AG - 55		750.00
6.	AG - 83	222.00	
7.	AG - 53		1,466.00
	Totals	**$919.50**	**$4,713.00**

We recommend that:

- CAO management ensure that recipients' training and/or work requirements are met.

- CAO management ensure that proper controls are in place to monitor recipients' participation in training and work activities, including monitoring of outside contractors.

- DPW follow up with the OIG to determine if payments made on behalf of ineligible recipients can be recouped.

DPW's Management Response[2]

- Additional procedures have been implemented. The IMCW and supervisors will conduct reviews to ensure that recipients are enrolled in the training and/or work activities, and that they are meeting the work hour requirements or that good cause is established for recipients who are not participating in training and work activities.

- The Bureau of Employment Training conducts monthly contractor performance reviews and a formal on-site program evaluation each year to confirm prior year performance. On-site evaluations are conducted more frequently for contractors whose performance did not meet DPW standards. Additionally, the CAOs meet with contractors in bi-weekly Direct Service Team (DST) meetings to discuss client participation and review Commonwealth Workforce Development System (CWDS) reports. CAOs also participate in Local Management Committees (LMCs) which consist of representatives from the CAO workforce development and educational entities in the local area to review performance and discuss program design and corrective action.

- DPW refers potential overpayments to the OIG through the Automated Restitution Referral and Computation (ARRC) System. The CAO enters the information pertaining to an overpayment in the ARRC, which then goes to the OIG. The OIG determines if a recoupment should be taken, contacts the client, makes payment arrangements, and enters the repayment into the ARRC system if necessary. The OIG is responsible for concluding the overpayment process.

- The overpayment recovery process is set forth in the 55 Pa. Code §255.

- Supervisors are required to review three records per worker every month to ensure that all factors of eligibility are addressed. Management will ensure that reviews occur and areas of concern are addressed.

[2] In addition to the overall management response, DPW provided a separate chart addressing individual cases in the audit finding. Some of this information is either beyond the scope of our audit, or pertained to periods outside of the audit period.

- Food Stamp ETP refresher training was held on June 24-26, 2008. This training covered factors that must be considered when determining the employment status of all food stamp recipients, including but not limited to age, disability, and family composition.

- Supervisors hold monthly meetings to review findings from previous audits and to review policy with IMCWs to ensure that the audit findings are addressed. Supervisors also hold individual monthly conferences to review each worker's CSR results and to offer additional individual training to ensure that compliance with policy is maintained.

- Desk guides have been prepared and distributed, and include:
  -Reporting requirements (SAR) for all budgets;
  -Criminal history desk guide;
  -IEVS desk guide; and
  -ETP codes desk guide.

Auditors' Conclusion

We are encouraged that the CAO has implemented additional procedures to ensure that recipients are enrolled in training and/or work activities. DPW should monitor the CAO to ensure that these additional procedures are being performed on a consistent basis.

However, with respect to contractor performance reviews and on-site evaluations, it is clear that the current procedures have not been effective in verifying whether or not a recipient is meeting the work hour requirements. Without better monitoring procedures in place, these deficiencies will continue to occur. DPW needs to hold its contractors accountable. Therefore, we continue to recommend that DPW put proper controls in place for CAOs to monitor recipients' participation in training and work activities, including monitoring of outside contractors.

We acknowledge DPW's comments regarding referral of potential overpayments to the OIG made on behalf of ineligible recipients through the ARRC System. However, DPW has not provided us with evidence that it has followed up with OIG for the ineligible recipients identified in this report. Therefore, we continue to recommend that DPW follow up with the OIG.

Findings and Recommendations

We determined that $5,633 was paid to recipients while they were ineligible. DPW classifies $5,370 as overpayments subject to potential reimbursement. As a result, the information that the CAO enters into its overpayment system and forwards to the OIG is not a complete picture of the amount of taxpayer dollars spent for benefits paid to ineligible recipients. We believe that every dollar that was paid while a recipient is ineligible should be subject to reimbursement.

We will examine the implementation of these additional procedures during our next audit to determine whether or not the action taken adequately addresses the deficiencies noted in this report. In addition, we will examine the status of these cases to determine whether or not action was taken by either DPW or OIG to recoup these payments.

Commonwealth of Pennsylvania
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APPENDIX A
ADDITIONAL CONCERNS ADDRESSED BY DPW

DPW prefaced its response with the following concerns, which fell outside of the findings and recommendations contained in this audit report.

Concern with Audit Methodology

Prior to responding to individual audit findings, DPW must state its concerns with the audit methodology employed in this draft report. The DPW believes that the methodology used by the auditors to calculate ineligibility periods is not appropriate as it does not align with the criteria against which conditions or potential findings should be evaluated. As described in greater detail in the "Detailed Audit Methodology Discussion" section on page 2, we believe the chosen methodology skews audit findings and does not provide a true picture of the DPW's performance in this area. We respectfully request that the auditors review the discussion prior to issuing the audit report and consider changes to their methodology.

Providing a complete response to all findings is made more difficult since the draft audit report does not seem to contain the routine disclosure identifying that the audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) or Generally Accepted Auditing Standards (GAAS). As a result, we are uncertain which standards were followed in determining the methodologies employed (for sampling and extrapolation of error rates).

We believe that it is worth noting that some of the findings seem at odds with the results of independent federal government reviews of the Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP) - which is the new program name for the Food Stamp Program–and Medical Assistance (MA) Programs, which show that DPW consistently met or exceeded Federal performance standards. For example, the most recent TANF sample report accepted by the United States (US) Department of Health and Human Services (DHHS) shows that DPW has achieved a Work Participation Rate of 45 percent, fully 29.2 percent higher than what is required due to the high level of performance credit Pennsylvania (PA) has earned as a result of overall TANF caseload reduction. The most recent monthly performance data from the federal Food and Nutrition Services agency indicates a

payment error rate of 2.28 percent for PA's SNAP program. Preliminary state SNAP data for federal fiscal year 2010 indicates a monthly payment error rate of 1.72 percent. Preliminary findings from the federally required Payment Error Rate Measurement (PERM) for Medicaid indicate the case error rate to be 1.99 percent and a payment error rate of 0.33 percent for the first ten months of PERM review. These federal performance measures clearly demonstrate that DPW is meeting stringent federal guidelines and that the Department has effective management oversight of these critical safety net programs.

Detailed Audit Methodology Discussion

The auditors' methodology included calculations of overpayments from the day a client missed training, or was determined to have not met the work hour requirements. However, the guidelines set forth in the SNAP/Food Stamp Handbook, 577.3, Adverse Action states, "The CAO will provide every household with a timely and adequate advance notice prior to taking any action to reduce or terminate benefits within a certification period." This requirement precludes calculating ineligibility from the day a client misses training, or is determined to have not met the work requirements. Therefore, we believe the ineligibility period should commence on the effective date of the sanctions.

Please note that the Auditor General's Office is required to audit against DPW policies and procedures as specified in 55 PA Code Section 109.1(b), Cooperative Working Agreements, which states, "The Statutes of the Commonwealth provide a basis for the cooperative working agreement that exists between the Department of the Auditor General and DPW. DPW, through the County Boards of Assistance, is responsible for determining the eligibility of applicants for financial assistance, Medical Assistance, and Food Stamps, and recipients of these programs under the rules and regulations established by DPW. The Department of the Auditor General is responsible for the auditing of these decisions against the rules and regulations of DPW. With these specific rights and responsibilities in mind, the Department and the Auditor General will work in mutual cooperation to fulfill their individual obligations as effectively and efficiently as possible." The DPW policies and procedures related to rendering a client ineligible for Cash and SNAP/Food Stamps are as follows:

APPENDIX A

Cash Handbook Guidance

The requirements to participate in the Employment and Training Program (ETP) are set forth in the Cash Handbook (CAH), Chapter 135 Employment & Training. If an individual does not comply with the activity hour requirements, such individual is subject to sanctions as outlined in CAH 135.7, which includes completion of several tasks. First, a compliance review is performed to determine whether the non-compliance was within the individual's control (i.e. willful) or if an exemption or good cause exists (i.e. non-willful). The CAO has three (3) business days to contact the client by telephone. If the CAO Income Maintenance Caseworker (IMCW) is not able to make contact on the first day, the IMCW will send the Compliance Review Appointment Notice (PA 1706). The compliance review appointment must be scheduled within ten (10) business days of the CAO's determination that an instance of non-compliance has occurred. If the individual responds to the Compliance Review Appointment Notice by the tenth business day following the mailing date, the CAO IMCW will conduct an interview with the client to discuss the reason(s) for the non-compliance. This interview can be conducted in person or via the telephone. If the interview reveals that no good cause exists and that the non-compliance was willful, the CAO IMCW will begin the sanction process. If an individual does not respond to the Compliance Review Appointment Notice by the tenth business day following the mailing date of the Notice, the IMCW will complete the case review without interviewing the client. After reviewing the case, if good cause is not determined the IMCW will proceed with the sanction process. If the proposed sanction is approved, the IMCW notifies the client of the sanction via an Advance Notice (PA/FS 162A) and applicable attachment(s). If the client responds to the Advance Notice (PA/FS162A) prior to the effective date, then any new information the client provides must be considered before imposing the sanction. Sanctions are appropriate when it is clear that there is willful non-compliance and an exemption and/or good cause does not exist. A sanction is defined as a change in eligibility status which results in a reduction of cash benefits received by the individual.

APPENDIX A

SNAP Handbook (SNAPH) Guidance

The requirements to participate in the ETP are set forth in the SNAPH, Chapter 535 Employment & Training. A person is subject to sanction, (as discussed in SNAPH Chapter 535.7) who, without good cause, fails to comply with SNAP work participation requirements or comparable TANF and Unemployment Compensation (UC) program requirements.

When the CAO becomes aware of a potential instance of SNAP ETP non-compliance, SNAPH Chapter 535.52 directs that the CAO will determine if the SNAP recipient is a mandatory participant or exempt due to the receipt of TANF or UC. If the SNAP recipient is exempt due to the receipt of TANF or UC, the CAO will determine if the requirement of the TANF or UC program is comparable to the work requirements for SNAP. A SNAP recipient is not disqualified for non-compliance with requirements which are not comparable (7 CFR § 273.7(g)(2)). In addition, individuals exempt only under the state regulations as set forth in the SNAPH Chapter 535.221 must not voluntarily and without good cause quit a job, or reduce work effort if, after the reduction, the individual is working less than 30 hours per week or earning wages less than the federal minimum wage multiplied by 30 hours.

SNAPH Chapter 535.54 instructs that prior to taking adverse action for non-compliance the CAO will:

- Begin conciliation on the day after it learns of non-compliance;
- Determine if some other exemption would apply;
- Exhaust conciliatory efforts by phone, mail or interview before issuing an Advance Notice;
- Offer counseling and conciliation services to make the determination of an overt refusal or De Facto refusal;
- Give the benefit of the doubt, look at the degree of failure, and review past practice for a pattern; and
- Determine if good cause exists for non-compliance.

APPENDIX A

SNAPH Chapter 535.6 directs the CAO to do the following when determining good cause for a SNAP household member's potential non-compliance with ETP requirements:

- Explain the program purpose and the consequences for non-compliance;
- Consider all the facts including circumstances beyond a member's control; and
- Attempt to resolve any barriers to participation.

When the CAO has then determined that a SNAP recipient is in non-compliance with ETP requirements without good cause, the CAO will send an Advance Notice within ten days. The notice will explain what the person failed to comply with, the period of ineligibility, how to re-establish eligibility, and when to reapply.

The SNAP disqualification/sanction begins with the first month following the expiration of the Advance Notice, unless a fair hearing is requested. If a fair hearing is requested and the decision of the CAO is upheld, the penalty is applied the first month after the decision is rendered. If the individual leaves SNAP before the penalty is imposed, the disqualification is imposed when the recipient returns to the program. The penalty applies only to the household member who has failed to comply, (Public Law 104-193 Section 815). A SNAP recipient who is disqualified/sanctioned from the program is ineligible for SNAP for the minimum sanction period as set forth in the SNAPH Chapter 535.71 and thereafter until eligibility is re-established.

DPW along with the CAO reviewed the cases that the auditor cited as deficiencies and does not agree with all the exceptions cited as deficiencies for the individual cases, and addresses this in the response to each finding. It should also be noted that the audit period extends back to January 2006 and since that time, additional procedures have been implemented to improve monitoring and to ensure that recipients are meeting eligibility requirements.

APPENDIX A

Auditor Comments To DPW Concerns

One of our audit objectives was to determine whether the CAO made proper eligibility determinations for recipients of cash and food stamps. Our audit methodology is responsive to criteria that indicate clearly when and why a recipient was no longer eligible to receive benefits. This includes the period of time that the recipient remained on benefits after he/she was no longer eligible and the amount of benefits paid during the period of ineligibility. For the purpose of terminating benefits and calculating overpayments to post to the overpayment system, DPW considers the period of ineligibility to start at the point when the ineligibility is discovered, not when the recipient actually became ineligible. Our audit identifies the amount of taxpayer dollars spent for benefits from the point in time when the recipient became ineligible in order to reveal the amount of payments made to ineligible recipients, which could be reduced by DPW if stronger internal controls existed. Our report highlights the failure of internal controls at DPW and/or the CAO to identify ineligibility in the cases we tested.

This audit was conducted in accordance with strict standards and policies as determined by the Department of the Auditor General. These policies are based on the requirements of Government Auditing Standards and have been developed by the Department of the Auditor General's Office of Quality Control. These policies require that sufficient and competent evidence be gathered in order to support the conclusions reached in the audit. The audits are conducted by auditors who have the necessary skills and knowledge, not only of auditing procedures, but also of DPW rules and regulations that serve as the audit criteria. In addition, each team of auditors is supervised and their work is reviewed at multiple levels of management.

Our audit criteria are based on DPW's rules and regulations. We cite the Cash Assistance Handbook (CAH), the Supplemental Handbook, and the Supplemental Nutrition Assistance Program Handbook (SNAPH), all of which are based on Title 55, Chapter 109 of the Pennsylvania Code. For example, when an individual is not meeting work requirements, we cite the CAH, Chapter 135 and SNAPH, Chapter 535 on the Notice of Deficiency. We also audit pursuant to the Fiscal Code, which provides the Auditor General with the authority to audit any agency that is receiving state funds.

Regarding DPW's references to the federal government's independent reviews of the cash, food stamp, and Medical Assistance programs, our audit objective was not to determine the work participation rate or the payment error rate. Furthermore, the Medicaid case error rate of 1.99% referred to by DPW is the result of information

compiled by DPW and sent to the federal government as self-reported data, not an actual independent review by the federal government. As stated previously, our objective was to determine whether eligibility requirements are being met. We conducted an independent review of case records to make this determination and we stand by our results.

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