

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Centre County Assistance Office

Audit Period

June 5, 2004 to October 28, 2005



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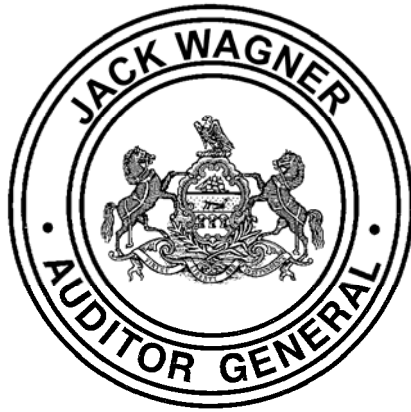
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Report of Independent Auditors on Compliance

The Honorable Edward G. Rendell
Governor
Commonwealth Of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

The Department of Public Welfare, through its County Assistance Offices, determines eligibility for cash assistance, medical assistance, and food stamps according to established policies and procedures. By the authority of Pennsylvania Code, Title 55, Chapter 109, the Department of the Auditor General audits these County Assistance Offices.

Our audit of the Centre County Assistance Office, covering the period June 5, 2004 to October 28, 2005, included procedures to determine compliance with Department of Public Welfare regulations, governing laws, and administrative rules regarding the disbursement of benefits and the management of the County Assistance Office. Procedures included examining, on a test basis, evidence in support of benefits provided, reviewing documentation of County Assistance Office actions and interviewing County Assistance Office personnel and welfare recipients. In addition to the eligibility review, we evaluated the Overpayment Control System.

Our eligibility review identified non-monetary exceptions as well as \$3,078 in net monetary exceptions. It should be emphasized that overpayment amounts reported in this audit report are limited by the Department of Public Welfare's Automated Restitution Referral and Computation system, which does not calculate overpayments beyond a two-year period. Consequently, additional overpayment amounts may exist beyond what is stated in this audit report. The responsibility for computing overpayments beyond two years rests with the Office of Inspector General.

No exceptions were disclosed during our review of the Overpayment Control System.

It should be noted that as a result of Internal Revenue Code §6103, the Department of the Auditor General no longer has access to Income Eligibility Verification System Exchanges 4

and 5. Because this poses a scope limitation, exceptions may exist in excess of those disclosed during our audit.

This report is intended for the benefit of the Centre County Assistance Office management, Department of Public Welfare officials, and Office of Inspector General officials. It is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

JACK WAGNER
Auditor General

November 18, 2005

**Commonwealth of Pennsylvania
Department of Public Welfare
Centre County Assistance Office**

BACKGROUND INFORMATION
AND
OBJECTIVES, SCOPE, AND METHODOLOGY

Background Information

Department of Public Welfare

The Department of Public Welfare (DPW) provides money, Food Stamps, Medical Assistance and other services to needy recipients in Pennsylvania. DPW administers these services locally through a County Assistance Office (CAO), or in larger counties, through a District Office (DO). We conduct audits in all 67 counties throughout Pennsylvania.

DPW, through its Office of Income Maintenance, is responsible for analyzing, interpreting, developing and maintaining the regulatory policy for all federal and state funded public assistance benefit programs. DPW also provides policy clarifications to guide the application of its regulations.

DPW created the Cash Assistance Handbook (CAH), the Food Stamp Handbook (FSH), and the Medicaid Eligibility Handbook (MEH) to provide guidance to income maintenance caseworkers (caseworkers) at the CAOs and DOs. The handbooks give the caseworker direction on how to use financial and non-financial information to determine an individual's eligibility for cash assistance, food stamp, and medical assistance benefits. The CAH provides guidance on Temporary Assistance to Needy Families (TANF) and General Assistance (GA). TANF is a federally-funded program which provides money for dependent children who are needy because financial support is not available from their parents. The payment is made to parents or relatives who care for the children in family homes. GA is a state-funded program which provides money primarily to single individuals and childless couples who do not have enough income to meet their basic needs. The FSH provides guidance for administering the Food Stamp Program which is operated jointly by the U.S. Department of Agriculture, Food and Nutrition Service, and DPW. The MEH provides guidance for administering the Medical Assistance Program to clients who are eligible for cash assistance, Nonmoney Payment, or Medically Needy Only benefits. DPW makes either direct payment to medical practitioners and vendors of services, medications, and medical supplies, or a capitation payment to contracted managed care organizations.

Objectives, Scope, and Methodology

The Department of the Auditor General (Department), Bureau of Public Assistance Audits conducts audits of CAOs to determine compliance with DPW regulations that pertain to recipient eligibility and the disbursement of cash and food stamps. Additionally, the Bureau reviews the CAO's management policies and their implementation as they relate to the areas we audited. Audit reports providing factual, relevant and useful information are then sent by the Auditor General to the Governor, DPW, the Office of Inspector General and certain state legislators.

The audit included eligibility reviews of a sample of public assistance cases for the audit period June 5, 2004 to October 28, 2005. We also reviewed the CAO's implementation of procedures for the Overpayment Control System to determine compliance with regulations and policies.

Criteria used in conducting the audit are contained in the publications listed in the Appendix of this report.

Results from the eligibility reviews of the sample of public assistance cases as well as the procedural reviews apply only to CAO files, records, and systems. However, because DPW establishes the CAO policies and procedures as well as maintains their computer information system, the deficiencies and/or exceptions identified during our audit may need to be corrected by DPW. Therefore, our recommendations are directed to DPW as well as the CAO.

As previously noted, due to Internal Revenue Code §6103, the Department no longer has access to recipient resource information contained on the Income Eligibility Verification System (IEVS) Exchanges 4 and 5. (Exchange 4 contains information from the Social Security Administration (SSA) earnings reference file and Exchange 5 contains information from the Internal Revenue Service unearned income file.) This poses a scope limitation, as the Department cannot ascertain whether the CAO is reviewing information from these two resources as required by Section 1137 of the Social Security Act. Furthermore, without access the Department is unable to verify that the CAO is using all recipient resource information in determining recipient eligibility and calculating benefit amounts.

Review of the public assistance cases detected instances of noncompliance; therefore, we submitted findings in these areas. Review of the Overpayment Control System determined that CAO personnel complied with required guidelines; therefore, we submitted no finding in this area.

Objectives, Scope, and Methodology

During the March 1, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the CAO representatives. We have included CAO personnel comments, where applicable, in this report.

**Commonwealth of Pennsylvania
Department of Public Welfare
Centre County Assistance Office**

FINDINGS AND RECOMMENDATIONS

Finding and Recommendations

Random Eligibility Audit Results

During the course of our audit, we examined 109 out of 408 case records from the Centre CAO to determine if personnel properly maintained case records in accordance with DPW's policies and procedures, and properly disbursed authorized benefits to eligible recipients in accordance with the rules and regulations established by DPW. We also notified CAO personnel when we discovered ineligible persons receiving assistance.

Title 55 of the Pennsylvania Code provides criteria for determining public assistance eligibility. Chapter 109 of Title 55 provides for the Department to audit the decisions of the CAOs against the rules and regulations established by DPW.

Our audit included an examination of the case record material as it relates to the proper interpretation and application of the rules and regulations of DPW pertaining to the recipient's eligibility for public assistance. The criteria for our review included, but was not limited to, DPW's:

- Cash Assistance Handbook (CAH);
- Food Stamp Handbook (FSH);
- Supplemental Handbook (SH);
- Income Eligibility Verification System (IEVS) Manual;
- Automated Restitution Referral and Computation (ARRC) Manual;
- Client Information System (CIS) Manual; and
- Operations Memorandum (OPS) & Policy Clarifications.

Our audit disclosed 15 exceptions in 15 of the 109 cases examined. The most significant exceptions are discussed in the following findings:

- CAO lacks procedures for identifying instances where recipients fail to provide proper eligibility information (refer to Finding No. 1);
- CAO personnel failed to follow applicable DPW procedures (refer to Finding No. 2); and
- CAO personnel failed to obtain and/or document information required in establishing recipient eligibility (refer to Finding No. 3).

Finding and Recommendations

Finding 1 - CAO lacks procedures for identifying instances where recipients fail to provide proper eligibility information

During our audit, we disclosed that the CAO lacks procedures for identifying instances where recipients failed to properly report income. Failure to provide proper information to the CAO resulted in three exceptions and overpayments totaling \$1,834.

Lack of CAO procedures for identifying instances when recipients fail to provide information may continue to result in benefits being improperly disbursed.

Recommendations

In order to deter recipients from improper reporting, the CAO should consider having caseworkers review a sample of cases to determine where this type of error occurs. The results of such a review could be used to determine whether additional procedures should be put in place by this, and possibly other CAOs.

CAO Management Response

In a March 10, 2006 response received by the Department of the Auditor General personnel, the Centre CAO Executive Director stated:

“The Centre CAO acknowledges the three errors discovered by the recent audit, which resulted from clients failing to properly report income. This continues to happen despite workers careful instructions to clients regarding their responsibility to honestly report all income and resources, and despite departmental written instructions on applications, and mailings. Management will review the audit results with all staff and reinforce the importance of carefully explaining reporting responsibilities to clients, and carefully reviewing available resources such as IEVS information, which can be an alert to unreported income. In compliance with the audit recommendations, Centre CAO will also review all overpayments to determine if there is any pattern, in the cause of the overpayments, which could lead to more specific corrective action.

Of the three cases involved, the largest overpayment was in the amount of \$1,424.30. Centre CAO filed an overpayment in this amount, and the client appealed the overpayment. At the pre-hearing conference, it was

Finding and Recommendations

agreed by all parties that the client had reported the job that caused the overpayment, but had not properly estimated her earnings. The incorrect adjustment was not discovered until her SAR (Semi-Annual Reporting) form was submitted; hence the overpayment. However, because she had reported the job, all parties, including the hearing officer, agreed that she should have been granted the work incentive deductions in the calculation of her overpayment. Therefore, we have reduced her overpayment from \$1,424.30 to \$787.71, a difference of \$636.59, and her appeal was settled.”

Finding 2 - CAO personnel failed to follow applicable DPW procedures

During our audit, we submitted two exceptions where CAO personnel failed to reconcile and verify information on IEVS. Also, CAO personnel failed to enter the correct disposition code on IEVS. This resulted in \$1,244 in subsequent overpayments.

IEVS is an automated system developed to provide for the exchange of information between the Pennsylvania Department of Labor and Industry, Office of Employment Security, the SSA and the Internal Revenue Service. IEVS provides information to the caseworker to aid in the determination of eligibility and the amount of the benefit the recipient should receive.

Recommendations

The CAO should implement procedures to ensure that its personnel reconcile and verify information contained on IEVS, as well as entering correct disposition codes into IEVS.

CAO Management Response

In a March 10, 2006 response received by the Department of the Auditor General personnel, the Centre CAO Executive Director stated:

“This finding resulted from two IEVS related errors. Centre CAO appreciates the audit recommendations and will make every attempt for supervisors and management to closely monitor proper caseworker processing of available IEVS information. Centre CAO is exploring ways to *reengineer* our office structure and staffing to more efficiently process

Finding and Recommendations

and manage work, including IEVS information. In accordance with the DPW/OIM *model office* concept initiative, Centre CAO is exploring ways to organize work by units, and accomplish work more efficiently and thoroughly by a teamwork approach to work assignments. DPW/OIM is developing systems support for this model office concept, which should lead to improved performance by staff, in following applicable DPW procedures.”

Finding 3 - CAO personnel failed to obtain and/or document information required in establishing recipient eligibility

During our audit, the verification for establishing recipient eligibility was absent from examined case records which resulted in ten exceptions. Case records and/or CIS information lacked detailed documentation of client and CAO actions. Agreement of Mutual Responsibility (AMR) forms were missing from the case records. Also, the social security number of a Legally Responsible Relative was known to the CAO, but not entered into IEVS.

The CAH, FSH, and IEVS Manual, Chapter 1, establish the procedures to be followed when obtaining and documenting recipient eligibility.

These exceptions occurred because caseworkers failed to review AMRs at application/reapplication with clients. Caseworkers also purged case record materials without knowing the retention period of DPW forms. Case records which lacked required information and material may have been the result of cases being transferred numerous times to different caseworkers. Not maintaining current documentation in case records contributed to poor case management.

Recommendations

The CAO supervisors should stress to caseworkers the importance of following established DPW policies and procedures for maintaining case records and processing information obtained from recipients and collateral sources.

Finding and Recommendations

CAO Management Response

In a March 10, 2006 response received by the Department of the Auditor General personnel, the Centre CAO Executive Director stated:

“As Centre CAO became aware of this error trend during the course of the audit, Centre CAO took immediate corrective action, and on October 14, 2005, issued a Corrective Action Plan to the audit team supervisor. Six of the ten cases that led to Finding #3 involved the lack of a sufficiently complete case narrative justifying the CAO action. Some of the cases cited had narratives, but the narratives did not clearly and fully explain the worker action(s). All six of the case actions in question occurred before the DPW/OIM Task Realignment which followed the release of Operations Memorandum 05-08-03, and many involved AMR (Agreement of Mutual Responsibility) documentation. Operations Memo 05-08-03 authorized CAO’s to permit Income Maintenance Caseworkers to do their own case narratives, and this change has led to more complete case narratives by caseworkers, and should help rectify this error finding. Policy Clarification PCA11893107 stated that if there were no changes needed to an existing AMR, then a new one was not required at redetermination. However, case narration was required to document this decision. Some of the errors cited cases where the caseworker did not clearly narrate their decision. “No changes needed” was determined to be too imprecise to cover AMR decisions, and workers will be required to document all eligibility decisions more clearly and completely. Supervisors have been instructed to closely monitor worker compliance with our Corrective Action Plan through Targeted Supervisory Reviews (TSR’s). Part of our Centre CAO plan was to also develop case narrative templates for worker use, but templates were difficult to use in the current Accessory Manager computer system. Therefore, we are awaiting the implementation of the newer e-CIS computer system, which should aid in our implementation of case narrative templates, and ensure fully developed case narratives to adequately document all areas of client eligibility.”

Finding and Recommendations

Status of Prior Audit Finding

Overpayments and Other Exceptions Totaling \$8,796 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period June 5, 2004 to October 28, 2005 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Centre County CAO; therefore, a repeat finding is warranted. Refer to Findings 1, 2, and 3 located on pages 9 through 11 for additional discussion on these issues.



**Commonwealth of Pennsylvania
Department of Public Welfare
Centre County Assistance Office**

STATUS OF PRIOR AUDIT FINDING

Status of Prior Audit Finding

Untimely Referred Overpayment Totaling \$509 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

The prior audit period covered March 16, 2002 to June 4, 2004 and we reviewed 55 cases. The prior response to this finding indicated DPW and Centre CAO personnel agreed with our recommendations and initiated corrective actions.

No finding was noted in our current audit.

**Commonwealth of Pennsylvania
Department of Public Welfare
Centre County Assistance Office**

**AUDIT SUMMARY
GLOSSARY
AND
APPENDIX**

Audit Summary

Random Eligibility Audit Results

	Net Value of Exceptions	Cases Reviewed	Monetary Exceptions	Non-Monetary Exceptions
<u>Current</u>	\$3,078	109	5	10
<u>Prior</u>	\$8,796	351	35	18

Monetary exceptions - When recipients withhold information or provide incomplete and/or inaccurate information, or when CAO personnel fail to maintain case records properly, assistance payments may be incorrect and/or ineligible individuals may receive benefits they are not entitled to receive (overpayments) or may not receive benefits that they are entitled to receive (underpayments).

Non-monetary exceptions - These exceptions usually result from missing or incomplete information and/or forms. Although these recipients were eligible for the benefits they received and no monies were inappropriately disbursed, non-monetary exceptions indicate system weaknesses and therefore should be of concern to the CAO.

Glossary

Administrative Underpayment:

Cash and/or food stamp benefits to which recipients were entitled but did not receive because of County Assistance Office error.

Case Closure:

Equal to one month of cash and/or food stamp benefits that were not paid/issued to recipients as a result of the Department's audit establishing recipient ineligibility.

Client Information System (CIS):

The on-line data base which contains the information necessary to authorize cash, Medicaid, and food stamps.

Closed Case:

A case that is no longer being issued welfare benefits.

Countable Income:

Income that is not exempt or excluded from benefit determination.

Legally Responsible Relative (LRR):

A spouse or the biological or adoptive parent of a TANF dependent child, a TANF minor parent, or a GA unemancipated minor child under age 19 or a GA minor parent. This term does not include putative fathers.

Reimbursement:

Money owed by recipients for cash benefits they received while waiting for a lump sum payment from sources such as a lawsuit, insurance, Supplemental Security Income, etc.

Supplemental Security Income (SSI):

A federal program funded by general tax revenues and administered by the Social Security Administration. Provides cash to aged, blind, and disabled persons who have little or no income to meet basic needs for food, clothing, and shelter. Received in lieu of cash grants from Public Welfare; however, SSI recipients can qualify for food stamps and medicare. Both children and adults can qualify for SSI.

Support Pass-Through (SPT):

An increase in the recipient's cash benefits which occurs when the Domestic Relations Office forwards child support money for recipients to the Department of Public Welfare. Because food stamp benefits are based on a recipient's income, this increase in cash benefits may result in a concurrent, but not equal, decrease in the recipient's food stamps.

Appendix

Abbreviations Used in Report

AMR	Agreement of Mutual Responsibility
ARRC	Automated Restitution Referral and Computation System
CAH	Cash Assistance Handbook
CAO	County Assistance Office
CIS	Client Information System
DO	District Office
DPW	Department of Public Welfare
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
LRR	Legally Responsible Relative
MEH	Medicaid Eligibility Handbook
OPS	Operations Memorandum
SH	Supplemental Handbook
SPT	Support Pass-Through
SSA	Social Security Administration
SSI	Supplemental Security Income
TANF	Temporary Assistance to Needy Families

Audit Report Distribution List

This report was originally distributed to the following:

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