

Compliance Audit

of the

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

Audit Period

July 3, 2004 to January 4, 2006





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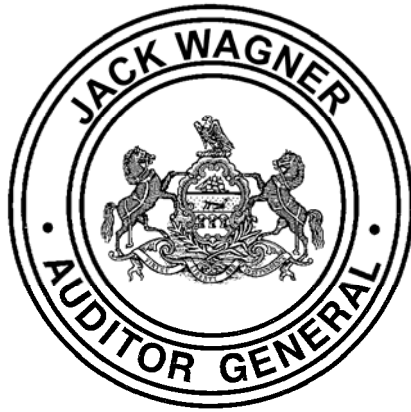
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## **Report of Independent Auditors on Compliance**

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.

This report contains the results of our audit of cash and food stamp eligibility of the Cumberland County Assistance Office, covering the period July 3, 2004 to January 4, 2006. Procedures included determining the County Assistance Office's 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. We examined, on a test basis, evidence in support of benefits provided, reviewed documentation of County Assistance Office actions and interviewed County Assistance Office personnel and welfare recipients.

Our report details findings and recommendations that resulted from our eligibility review. No exceptions were disclosed during our review of the Emergency Fund Advancement Account, our review of the Petty Cash Fund, and 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 beyond those disclosed during our audit. In addition, overpayment amounts stated 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.

This report is intended for the benefit of the Cumberland 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

February 2, 2006



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

**BACKGROUND INFORMATION**  
**AND**  
**OBJECTIVES, SCOPE, AND METHODOLOGY**

## ***Background Information***

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### **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***

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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 (OIG) and certain state legislators.

The audit included eligibility reviews of a sample of public assistance cases for the audit period July 3, 2004 to January 4, 2006. We also reviewed the CAO's implementation of procedures for the Emergency Fund Advancement Account (EFAA), Overpayment Control System, and the Petty Cash Fund (PCF) to determine compliance with regulations and policies.

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 this area. Reviews of the EFAA, Overpayment Control System, and the PCF determined that CAO personnel complied with required guidelines; therefore, we submitted no findings in these areas.

## ***Objectives, Scope, and Methodology***

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During the October 4, 2006 exit conference, the Department's staff reviewed these findings and recommendations with CAO representatives. We have included CAO personnel comments, where applicable, in this report.

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

**FINDINGS AND RECOMMENDATIONS**

## ***Findings and Recommendations***

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### **Eligibility Audit Results**

During the course of our audit, we examined 123 out of 564 case records from the Cumberland 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 32 exceptions in 24 of the 123 cases examined. The most significant exceptions are discussed in the following findings:

- Failure to Follow Applicable DPW Procedures (refer to Finding No. 1);  
and
- Failure To Obtain And/Or Document Information Required In Establishing Recipient Eligibility (refer to Finding No. 2).

## ***Findings and Recommendations***

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### **Finding 1 - Failure To Follow Applicable DPW Procedures**

Our audit revealed that exceptions occurred because CAO personnel failed to follow applicable DPW procedures. The most notable exceptions are grouped into the following areas:

- **Supplemental Security Income (SSI)**

General Assistance (GA) benefits for individuals with medical issues, also known as Interim Assistance, are conditional upon the recipient's application for federal SSI benefits. In addition, the recipient is required to appeal a decision by the SSA if an application for benefits is denied.

During our audit, we found two exceptions where the CAO failed to close cases when SSI recipients did not appeal unfavorable SSA decisions, resulting in recipients continuing to receive benefits without meeting all the conditions of eligibility. Overpayments were written in the amount of \$1,948 in cases where the recipient failed to comply with the SSI requirements.

These exceptions occurred because the caseworker did not properly utilize information on IEVS which would have indicated whether the client applied for SSI or appealed an unfavorable decision.

The Cash Assistance Handbook and the Supplemental Handbook cite the CAO's responsibilities in the application process.

### **Recommendation**

The CAO should ensure that caseworkers are properly trained to be able to identify the eligibility requirements for GA. The CAO should also review IEVS procedures and set controls for determining SSI applications, denials and appeals.

### **Management Response**

We agree with this finding and corrective action in the form of individual conferences was taken during the audit. These conferences were held by unit supervisors to remind appropriate staff of the importance of controlling the SSI application/appeal process and enforcing the cited General Assistance eligibility requirements.

## ***Findings and Recommendations***

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- **Automated Restitution Referral and Computation System**

The ARRC system is a data base system designed to track potential overpayments from the point of discovery through the verification and calculation process to the automated transfer of the established claim to OIG.

During our audit, we found that CAO personnel failed to compute overpayments or failed to compute overpayments timely on ARRC. This resulted in two exceptions, totaling \$1,140 in overpayments. When verification of an overpayment was received by the CAO, overpayments were not computed on ARRC within the required 60 days. Also, CAO personnel incorrectly entered data on ARRC.

Chapter 910 of the SH and the ARRC Manual both provide guidelines for computing overpayments correctly and timely.

### Recommendation

The CAO should instruct personnel to timely compute overpayments. All verified overpayments should be processed within 60 days of receipt of verification. The CAO should also implement internal control procedures to ensure the proper completion of the recommended tasks.

### Management Response

We agree with this finding and corrective action in the form of refresher training was held on 8/16/2006 to address the processing of overpayments. Special emphasis was given to the issue of timeliness.

- **Income Eligibility Verification System (IEVS)**

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.



## ***Findings and Recommendations***

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During our audit, we found seven exceptions where CAO personnel failed to correctly and timely dispose of information on IEVS. IEVS provided wage information from employers and unearned income from Social Security that was not properly reconciled with income used to compute benefits. These exceptions resulted in \$899 in subsequent overpayments.

Chapter 1 of the IEVS Manual provides guidelines to follow when using IEVS.

### **Recommendation**

The CAO should instruct personnel to review IEVS exchanges for reported and unreported income. Personnel should review and properly reconcile unreported income so overpayments are correctly identified and initiated through the IEVS system. Supervisory personnel should review IEVS reports to ensure timely and accurate disposition codes are used.

### **Management Response**

In a letter dated November 2, 2006 to the Department of the Auditor General staff, Cumberland CAO management stated,

“We agree with this finding and corrective action in the form of refresher training was held on 8/16/2006 to address the processing of IEVS dispositions. Special emphasis was given to the issue of timeliness.”

- **Support Pass-Through (SPT) adjustment**

SPT adjustments are increases in recipients' cash benefits which occur when the Domestic Relations Office forwards child support money for recipients to DPW for the recipient. Because food stamp benefits are based on a recipient's income, this increase in cash benefits may result in a decrease in the recipient's food stamps. The FSH establishes provisions for adjusting the SPT to the food stamp benefits.

Eight exceptions, resulting in \$160 in over-issuances, occurred because the automated system failed to consistently adjust the SPT to the recipient's food stamp benefits, even though the information was directly available to the CAO.

## ***Findings and Recommendations***

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### Recommendation

We recommend that the CAO review SPT income to ensure that it is consistently adjusted on the system, and make manual adjustments when the system fails. We also recommend that DPW investigate the cause of what appears to be a system failure.

### Management Response

In a letter dated November 2, 2006 to the Department of the Auditor General staff, Cumberland CAO management stated,

“We disagree with this bullet point as it cites an automated system problem and not a compliance failure on the part of the Cumberland County Assistance Office. In our opinion this issue should not be included in an audit report of this office.”

### **Finding 2 - Failure 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 seven exceptions. ARRC information lacked detailed documentation of CAO actions. Also, the social security number of a Legally Responsible Relative (LRR) was known to the CAO, but not entered into the IEVS.

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

Most exceptions occurred because caseworkers failed to update the ARRC system when the CAO obtained verification of recipients' wages. Failure to update the ARRC system may have prevented the CAO from referring overpayments to the Office of the Inspector General.

### Recommendation

CAO supervisors should stress to caseworkers the importance of following established DPW policies and procedures for updating the ARRC system when verification is

## ***Findings and Recommendations***

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obtained from recipients and collateral sources, as designated in the above cited handbooks. The CAO should also require caseworkers to enter the social security numbers of LRRs in case records at application and reapplication.

### **Management Response**

In a letter dated November 2, 2006 to the Department of the Auditor General staff, Cumberland CAO management stated,

“We agree with this finding and corrective action in the form of refresher training was held on 8/16/2006 to address the processing of overpayments and of IEVS dispositions. Proper and timely updating of the ARRC system was covered at that time.

Additionally, when we received the exception for failure to enter an LRR into the IEVS system, our local Corrective Action Team (the Office Manager and the unit supervisors) met to discuss the criticality of following this procedure. That message was then conveyed to the Income Maintenance Casework staff at various unit meetings over the next several weeks.”

### **Status of Prior Audit Finding**

#### **Overpayments and Other Exceptions Totaling \$3,483 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions**

Our current audit covering the period July 3, 2004 to January 4, 2006 disclosed that case record management exceptions continue to occur at the Cumberland CAO; therefore, a repeat finding is warranted. Refer to Findings 1 and 2 located on pages 9 through 13 or additional discussion on these issues.



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

**AUDIT SUMMARY  
GLOSSARY  
AND  
APPENDIX**

***Audit Summary***

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**Eligibility Audit Results**

|                       | Cases at<br>CAO | Cases<br>Reviewed | Cases with<br>Errors |
|-----------------------|-----------------|-------------------|----------------------|
| <b><u>Current</u></b> | 564             | 123               | 24                   |
| <b><u>Prior</u></b>   | 388             | 250               | 27                   |

## ***Glossary***

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### **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*

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### Abbreviations Used in Report

|      |   |
|------|---|
| 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                          |
| EFAA | Emergency Fund Advancement Account                    |
| FSH  | Food Stamp Handbook                                   |
| GA   | General Assistance                                    |
| IEVS | Income Eligibility Verification System                |
| LRR  | Legally Responsible Relative                          |
| MEH  | Medicaid Eligibility Handbook                         |
| OIG  | Office of Inspector General                           |
| OPS  | Operations Memorandum                                 |
| PCF  | Petty Cash Fund                                       |
| 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***

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This report was originally distributed to the following:

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The Honorable Edward G. Rendell  
Governor

The Honorable Donald L. Patterson  
Inspector General  
Office of Inspector General

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Cumberland County Assistance Office

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).