

Compliance Audit

of the

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

Audit Period

April 17, 2004 to April 7, 2006





Compliance Audit

of the

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

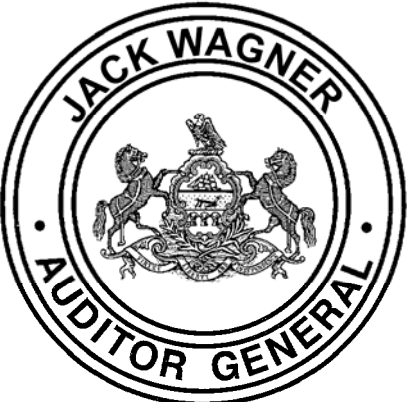
Audit Period

April 17, 2004 to April 7, 2006



# CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE .....	1
BACKGROUND INFORMATION .....	4
OBJECTIVES, SCOPE, AND METHODOLOGY .....	5
FINDINGS AND RECOMMENDATIONS	
I. Eligibility Audit Results	
Finding 1 - CAO personnel failed to obtain and/or document information required in establishing recipient eligibility .....	9
Finding 2 - CAO personnel failed to follow applicable DPW procedures .....	9
II. Emergency Fund Advancement Account	
Finding 3 - Procedural Deficiencies Exist in the Oversight of the Emergency Fund Advancement Account.....	11
III. Overpayment Control System	
Finding 4 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$2,125 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System.....	12
AUDIT SUMMARIES .....	18
GLOSSARY .....	19
APPENDIX.....	20
AUDIT REPORT DISTRIBUTION LIST .....	21



## **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 stamp benefits 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 at the Indiana County Assistance Office, covering the period April 17, 2004 to April 7, 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. We also evaluated the Emergency Fund Advancement Account and the Overpayment Control System.

Our report details findings and recommendations that resulted from our eligibility review, our review of the Emergency Fund Advancement Account, 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 Indiana 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

May 4, 2006



**Commonwealth of Pennsylvania  
Department of Public Welfare  
Indiana 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 (FS), Medical Assistance (MA) 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 (OIG) and certain state legislators.

The audit included eligibility reviews of a sample of public assistance cases for the audit period April 17, 2004 to April 7, 2006. We also reviewed the CAO's implementation of procedures for the Emergency Fund Advancement Account (EFAA) and the Overpayment Control System 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 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.

Reviews of the public assistance cases, the EFAA, and the Overpayment Control System detected instances of noncompliance; therefore, we submitted findings in these areas.

During the September 28, 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  
Indiana County Assistance Office**

**FINDINGS AND RECOMMENDATIONS**

## ***Findings and Recommendations***

---

### **I. Eligibility Audit Results**

During the course of our audit, we examined 124 out of 516 cases from the Indiana 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.

Of the 124 cases in our sample, 8 were confidential cases. Public assistance cases are classified as confidential when the recipient is either a CAO employee or their relative. Due to the confidential nature of these cases, the records are normally kept separate from the rest of the case records. Usually, access to the confidential case records is restricted.

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 22 of the 124 cases examined. The most significant exceptions are discussed in the following findings:

- CAO personnel failed to obtain and/or document information required in establishing recipient eligibility (refer to Finding No. 1); and
- CAO personnel failed to follow applicable DPW procedures (refer to Finding No. 2).

## ***Findings and Recommendations***

---

---

### **Finding 1 - 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 15 exceptions. Case records and/or CIS information lacked detailed documentation of client and CAO actions. Reimbursement forms and Authorization of Information forms were missing or incomplete and case records were not properly narrated. Finally, the social security number of a Legally Responsible Relative was known to the CAO, but not entered into the 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 often failed to have required forms completed properly. Case records did not detail the case narrative with specific dates and events for self-sufficiency goals. Failure to maintain current documentation in case records contributed to poor case management.

#### **Recommendation**

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, as designated in the above cited handbooks. The CAO should also stress the need to clearly narrate recipient and caseworker actions in the case record.

#### **Management Response**

CAO management agreed with the finding as presented and indicated they will take corrective action to comply with the recommendation in an attempt to decrease errors.

### **Finding 2 - CAO personnel failed to follow applicable DPW procedures**

Our audit revealed that exceptions occurred because CAO personnel failed to follow applicable DPW procedures. These exceptions occurred when CAO personnel failed to timely dispose of wage information reported by employers on IEVS.

## ***Findings and Recommendations***

---

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.

During our audit, we found 12 exceptions where CAO personnel failed to correctly and timely dispose of information on IEVS. IEVS provided wage information from employers, unearned income from Social Security, and Unemployment Compensation that was not properly reconciled with income used to compute benefits. These exceptions delayed the discovery of possible 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**

CAO management agreed with the finding as presented and indicated they will take corrective action to comply with the recommendation in an attempt to decrease errors.

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

#### **Overpayments and Other Exceptions Totaling \$6,061 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions**

Our current audit covering the period April 17, 2004 to April 7, 2006 disclosed that case record management exceptions continue to occur at the Indiana CAO; therefore, a repeat finding is warranted. Refer to Findings 1 and 2 located on page 9 for additional discussion on these issues.



## ***Findings and Recommendations***

---

### **II. Emergency Fund Advancement Account**

#### **Finding 3 - Procedural Deficiencies Exist in the Oversight of the Emergency Fund Advancement Account**

We conducted a compliance audit of the Indiana CAO's EFAA to determine if the fund was administered in accordance with DPW policies, procedures, and regulations. The audit included reviewing EFAA accounting records, reports, internal controls, and 33 case records.

The EFAA is used only when there is an immediate need for cash and disbursements from DPW central office cannot meet a client's needs. The immediate need for cash must be established in accordance with DPW regulations before a disbursement is authorized.

Our review indicated the recipients were eligible for EFAA disbursements; however, CAO personnel failed to properly complete the Issuing Officer's Control Document Log (PW418) by not listing the correct serial numbers of issued checks.

Chapter 810 of the SH provides that the Issuing Officer records the serial numbers of the first available check and the last check in the check book onto the PW418 maintained for county EFAA checks.

Failure to properly complete the Issuing Officer's Control Document Log weakened internal controls and increased the possibility of errors occurring.

#### **Recommendation**

The CAO Executive Director should instruct personnel to follow DPW procedures in completing the Issuing Officer's Control Document Log, specifically by recording the serial numbers and amounts of all EFAA checks issued in the PW418 log.

#### **Management Response**

CAO management agreed with the finding as presented and indicated they will take corrective action to comply with the recommendation in an attempt to decrease errors.

## ***Findings and Recommendations***

---

---

### **III. Overpayment Control System**

#### **Finding 4 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$2,125 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

We reviewed the Indiana CAO Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 50 entries listed as pending and completed on the ARRC Daily Caseload Detail Report dated January 24, 2006, we selected and reviewed all cases.

Our review disclosed the following exceptions:

- **In seven cases, deficiencies occurred when CAO personnel completed the calculation of the overpayment, but failed to complete the referral within 60 days.**

The SH, Section 910.51 provides that the CAO will refer all overpayments to the OIG within 60 days from the date the CAO verifies the overpayment occurred.

The section further provides that in order to recover through recoupment, the OIG must notify the client of the cash overpayment claim within six months of the date the CAO first identified the overpayment, or within one year of the date the CAO first identifies the overpayment, as long as the delay in obtaining verification was caused by an outside source.

Although CAO personnel completed the calculation of the overpayment, deficiencies occurred because no controls were in place to refer overpayments within the required timeframes.

Failure to complete the Overpayment Referral Data Input form and forward it to the OIG within the required 60 days delayed and jeopardized the recovery of overpayments of \$560 and over-issuances of \$1,565.

## ***Findings and Recommendations***

---

### Recommendation

The CAO should instruct personnel to compute all verified overpayments within 60 days of receipt of that verification. Furthermore, the CAO should review internal control procedures for tracking wage information, computing verified overpayments, and reviewing computed overpayments.

- **In six cases, CAO personnel failed to update the ARRC system to reflect the status of overpayments.**

ARRC Manual, Chapter 1, "Introduction," provides that when sufficient documentation is received to make a determination whether or not an overpayment has occurred, the worker must complete this review and determine the disposition of the referral.

Failure to update the ARRC system impeded determining the number and status of overpayment investigations.

Caseworkers failed to data enter appropriate ARRC screens when overpayments were completed, or it was determined an overpayment did not exist.

### Recommendation

The CAO should require personnel to continuously update the ARRC file to indicate the status of overpayment investigations thereby ensuring proper count and status of pending investigations.

- **In five cases, CAO personnel failed to contact non-responding employers.**

These exceptions occurred when caseworkers failed to contact employers or employers failed to respond to initial requests for wage verification within 45 days of the initial request. Caseworkers failed to timely contact employers within ten days to verify employer addresses.

Failure to contact employers timely may have delayed initiating procedures to recover incorrectly disbursed benefits. Also, failure to contact employers hindered initiating procedures to send a second PA78 request.

## ***Findings and Recommendations***

---

These deficiencies occurred because caseworkers failed to adhere to the overpayment investigation required timeframes. Additionally, CAO supervisors failed to review the “Non-Responding Employer” list. Caseworkers did not contact non-responding employers due to a lack of procedural controls.

Chapter 910 of the SH and the ARRC manual provide procedures and guidelines for contacting non-responding employers.

### **Recommendation**

The CAO should instruct personnel to contact employers within 10 work days after reviewing the “Non-responding Employer” list. Caseworkers should also verify employer addresses.

- **In five cases, CAO personnel failed to complete an Overpayment Referral Data Input form within 10 days after suspecting overpayments.**

SH, Section 910.41, “Overpayment Data – ARRC System Input” provides that when the CAO discovers a possible TANF, GA, FS, or MA overpayment, the CAO will complete an Overpayment Referral Data Input Form and enter the data into the ARRC system within 10 work days from the date the overpayment was identified.

Failure to complete overpayment referral data input forms timely impeded tracking of suspected overpayments that were not investigated.

Deficiencies occurred because CAO personnel failed to timely complete overpayment referral data input forms in accordance with DPW procedures.

### **Recommendation**

The CAO should require personnel to enter overpayment information which is not automatically entered into the ARRC system within ten work days after identifying a potential overpayment.

### **Management Response**

CAO management agreed with the finding as presented and indicated they will take corrective action to comply with the recommendation in an attempt to decrease errors.

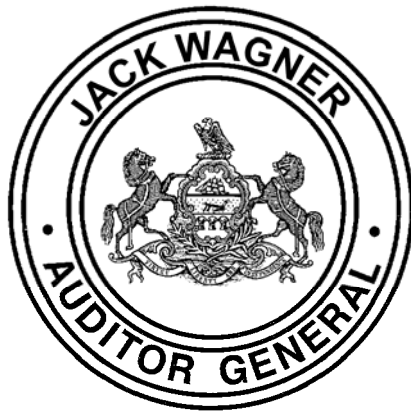
## ***Findings and Recommendations***

---

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

#### **Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$9,252 and an Understated Overpayment of \$69 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

Our current audit covering the period April 17, 2004 to April 7, 2006 disclosed that procedural deficiencies continue to exist at the Indiana CAO in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to the bullets in Finding 5 on pages 12 through 14 for additional discussion on these issues.



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

**AUDIT SUMMARIES  
GLOSSARY  
AND  
APPENDIX**

## ***Audit Summaries***

---

### **Eligibility Audit Results**

	<b>Cases at CAO</b>	<b>Cases Reviewed</b>	<b>Cases with Errors</b>
<b><u>Current</u></b>	<b>516</b>	<b>124</b>	<b>22</b>
<b><u>Prior</u></b>	<b>484</b>	<b>172</b>	<b>46</b>

### **Other Results**

<b><u>PROGRAM</u></b>	<b><u>No. of Cases</u></b>	<b><u>Monetary Effect</u></b>
<b>Overpayment Control System:</b>		
CAO personnel failed to make referrals timely.	7	\$2,125
CAO personnel failed to update ARRC System.	6	0
CAO personnel failed to contact non-responding employer timely.	5	0
CAO personnel failed to complete Overpayment Referral Data Input form timely.	<u>5</u>	<u>0</u>
<b>Total:</b>	<b>23</b>	<b>\$2,125</b>



## ***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:**

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:**

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:**

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

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
FS	Food Stamps
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
MA	Medical Assistance
MEH	Medicaid Eligibility Handbook
OIG	Office of Inspector General
OPS	Operations Memorandum
SH	Supplemental Handbook
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:

### Commonwealth of Pennsylvania

The Honorable Edward G. Rendell  
Governor

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

The Honorable Jake Corman  
Majority Chairman  
Public Health and Welfare Committee  
Senate of Pennsylvania

The Honorable Estelle B. Richman  
Secretary  
Department of Public Welfare

The Honorable Vincent J. Hughes  
Minority Chairman  
Public Health and Welfare Committee  
Senate of Pennsylvania

Lynn F. Sheffer  
Comptroller  
Public Health and Human Services  
Department of Public Welfare

The Honorable George T. Kenney, Jr.  
Majority Chairman  
Health and Human Services Committee  
Pennsylvania House of Representatives

Richard Polek  
Chief of Audit Resolution Section  
Bureau of Financial Operations  
Department of Public Welfare

The Honorable Frank L. Oliver  
Minority Chairman  
Health and Human Services Committee  
Pennsylvania House of Representatives

Joanne Glover  
Director of Operations  
Office of Income Maintenance  
Department of Public Welfare

The Honorable Linda Bebko-Jones  
Minority Subcommittee Chairperson  
Health and Human Services Committee  
Pennsylvania House of Representatives

Kathy Jellison  
President  
PA Social Services Union  
Local 668 S.E.I.U. AFL-CIO

### County Assistance Office

Karen Cyphert  
Executive Director  
Indiana County Assistance Office

John Merlo  
Chairman  
Indiana County Board of Assistance

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).